

# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND AUGUST 6/AUGUST 7 1994

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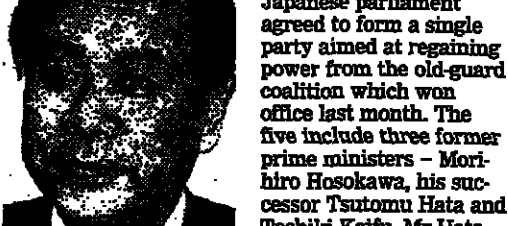
## Renault sell-off likely to begin before year end

The French government appointed adviser banks Credit Agricole and Rothschild et Cie for the privatisation of Renault and appears prepared to go ahead with at least a partial privatisation of the state-owned vehicle builder by the end of the year.

The sale, which is expected to raise more than FF40bn (\$7.48bn), is an important element in the government's privatisation programme, which involves the sale of 21 public sector groups. Page 11

**Norway and Iceland in fishing row:** Fish was ragged across European waters as Norway accused the crew of an Icelandic trawler of shooting at Norwegian coastguards and the dispute between Spanish and British tuna fishermen continued in the Bay of Biscay. Page 2

**Japan's opposition to form new party:** Five leaders of reformist opposition groups in the Japanese parliament agreed to form a single party aimed at regaining power from the old-guard coalition which won office last month. The five include three former prime ministers - Morihiro Hosokawa, his successor Tsutomu Hata and Toshiki Kaifu. Mr Hata (above) said the new party "needs to be strong in order to rival the LDP". Page 3



(above) said the new party "needs to be strong in order to rival the LDP". Page 3

**UK backs burial of nuclear wastes:** The UK government said deep burial remained the best way of disposing of the radioactive waste generated by nuclear power stations and research installations. Page 24; Cost rises with safety. Page 6

**Halifax seeks BNP's mortgage business:** Halifax Building Society is seeking to buy the £1.5bn (\$2.32bn) UK mortgage business of Banque Nationale de Paris. The move would give Halifax, Britain's largest mortgage lender, 16 per cent of the market. Page 24 and Lex.

**Tokyo may ease rules on foreign listings:** The Tokyo stock exchange, facing a sharp decline in listings of overseas companies, may scrap guidelines which limit listings on its foreign section to large blue chip companies. Page 11

**Japan's surplus widens:** Japan's current account surplus widened in June to \$11.1bn (£7.1bn), up 4.7 per cent on a year earlier, according to the Finance Ministry. Page 3

**IG Metall seeks inflation-busting pay rises:** Germany's IG Metall engineering and metalworkers' union opened the 1995 pay round with a demand for a settlement ahead of inflation. Page 2

**Chile seeks copper probe:** Chilean state copper company Codelco is to ask UK and US regulatory authorities to investigate "unusual operations" said to have been conducted on the London and New York metals exchanges last year. Page 2

**Siberia air crash kills 47:** A transport aircraft carrying Russian army officers crashed in Siberia killing all 47 people aboard. It was the third air disaster in Siberia this year. Page 2

**India arrests Bombay blasts suspects:** Indian authorities said they had arrested one of the people believed to be behind a serial bombing campaign in Bombay last year in which 260 people were killed. They said they had proof that Pakistan was involved in the explosions.

**France holds nine after Algiers attacks:** France detained nine Algerian Muslim fundamentalists following an attack on an embassy building in Algiers in which five French police and consular officials died. Page 2

**USAir rejects pilots' equity plan:** USAir, struggling US carrier in which British Airways holds a minority stake, rejected a proposal from its pilots' union that employees should swap \$2.5bn worth of wage cuts for 25 per cent of the company's shares. Page 11

**Union Bank of Switzerland reported a 28 per cent fall in first-half consolidated net income to SF929m (\$703.7m), mainly because of a big drop in profits from trading. Page 11**

**Yeltsin orders luxury yacht:** Pravda newspaper said Russian president Boris Yeltsin had ordered the military shipbuilder Almaz to build him a luxury yacht. Mr Yeltsin's office could neither confirm nor deny the report.

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## Nato jets strike at Bosnian Serbs

### Attack in retaliation for seizure of heavy weapons

By Matthew Kaminski in London and Jeremy Kahn in Washington

Nato jets launched an attack in Bosnia yesterday after Serb troops seized a tank and other weapons under United Nations control, violating the Sarajevo security zone.

The Nato strike, the first since April, highlights the increasing pressure on the Bosnian Serbs, who have been left isolated this week by their refusal to endorse an international peace plan for the region.

Lt Gen Michael Rose, the UN commander in Bosnia, called for the strike after Bosnian Serb forces ignored threats that they

faced an attack if they violated a heavy weapon exclusion zone around the capital.

A strike was carried out at 18:30pm (18:35 GMT) just outside of the southern edge of the weapons exclusion zone. Targets were hit and destroyed, said French Lt Col Bernard Labrousque in Sarajevo.

The French government confirmed that its planes were involved in the attack, and called on the Bosnian Serbs to "understand that the option of war is an

impasse" and "to choose the path of peace".

The raid comes just a day after Serbia itself cut links with the self-declared Bosnian Serb state. Phone links and border traffic between the two Serb neighbours were closed yesterday, further isolating the Bosnian Serb leadership in Pale.

It is not clear whether the Nato strike hit a T-55 tank, anti-aircraft gun or two armoured personnel carriers taken in an early morning raid from a UN weapons

collections point in Uldza, a western suburb of Sarajevo.

In April, allied planes bombed Serb targets in the UN-designated safe area around Gorazde in eastern Bosnia. Since then, Bosnian Serbs have fired on UN troops and ignored warnings to stay away from exclusionary zones.

The UN hesitated to retaliate in the hope of fashioning a peace agreement, but Bosnian Serb leaders on Wednesday rejected a western-brokered peace deal that would partition Bosnia-Herzegovina almost equally between Serbs and the Croat-Muslim coalition.

Mr Fred Eckart, UN spokesman in New York, said the attack was justified by the weapons seizure and the subsequent shooting at a French helicopter sent to retrieve the equipment.

After the attack, UN officials said that Bosnian Serbs had indicated that they would immediately return all weapons taken from the UN collection store. The Serb officials were said to have

regretted taking the equipment. In Washington, a State Department spokesman called on all parties to adhere to Security Council resolutions and to the terms of the exclusion zone around Sarajevo.

Nato has more than 100 fighters, bombers and ground attack aircraft based in Italy, from where past strikes have been launched. The planes enforce an international ban on military flights over Bosnia and provide support to UN peacekeepers on the ground if they come under fire.

Milosevic blocks traffic to Bosnia, Page 2

## Strong jobs figures steel US markets for rate rise

By George Graham in Washington

US financial markets are bracing themselves for the Federal Reserve to raise short term interest rates after the government's July employment report showed that job creation was much stronger than expected.

The headline unemployment rate rose in July to 6.1 per cent, compared with 6.0 per cent in June, the Bureau of Labour Statistics reported yesterday. But the number of non-farm jobs, which is based on a different survey and is watched more closely by investors and money market dealers, grew by 259,000 to 113.6m.

Job creation was slower than in June, when 356,000 new jobs were added to non-farm payrolls, but economists had predicted an even sharper slowdown.

Wall Street economists said the employment figures, which indicate a stronger economic outlook and the possibility of future inflationary pressures, increased the likelihood that the Fed, the central bank, would soon raise interest rates. Anticipating an

increase, the US bond market dropped sharply yesterday, while share prices and the dollar weakened.

Fed officials have in recent days seemed to be preparing the ground for an increase at or shortly after the August 16 meeting of the Federal Open Market Committee, which sets interest rate policy.

Currencies Page 13

World stocks Page 21

President Bill Clinton and his administration are anxious not to choke off the recovery by an increase in interest rates.

Mr Robert Reich, the labour secretary, said yesterday the July employment figures were "further proof that job growth is continuing its solid, steady course," but he insisted that they "exhibited no sign of inflation".

Private sector economists say the Fed could act very quickly in response to July's strong job creation data.

"We had thought that they would raise rates by 25 basis points at the August 16 meeting. We now think they might move before that," said Mr Robert Mellman, an economist with New York's J.P. Morgan bank.

The Bureau of Labour Statistics said its survey of households, on which the unemployment rate is based, showed a slight increase in the number of unemployed people to 6m.

Many of the new non-farm jobs came in temporary employment programmes, restaurants and food stores, while higher wage jobs in the manufacturing sector remained steady at around 18m.

## Oil and gas sector pushes UK output to record levels

By Gillian Tett and Robert Corzine

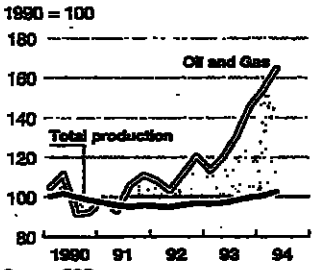
A strong performance by the North Sea oil and gas sector boosted UK industrial production to record levels in the second quarter, indicating that the growth in output is gathering pace.

Manufacturing output slowed slightly in June, providing further evidence that the pick-up in the manufacturing sector is steady rather than spectacular.

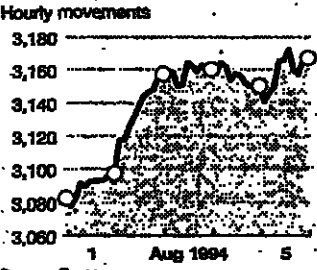
The Central Statistical Office said yesterday that total industrial production grew by a seasonally adjusted 2 per cent in the three months to June, compared with the three months to March, and by 5.7 per cent compared with the same period a year ago.

The rise led the CSO to revise up its projections for annual industrial growth to 5.5 per cent. This is considerably higher than the 3.3 per cent annual growth rate for overall gross domestic product in the second quarter of this year, and underlines the significance of the industrial sector in the overall recovery. The index of produc-

UK industrial output



FT-SE 100



tion rose to 102.6 in the second quarter - its highest level in the series which takes 1990's production level as a base of 100.

Oil and gas production rose by 6.8 per cent in the second quarter, compared with the first quarter of the year, and was 37.3 per cent higher than the same period a year ago. The rises were recorded in spite of the fact that May and June are two of the main months in which North Sea platforms are shut down for annual maintenance.

The surge in output, which earlier this year took the international industry by surprise,

reflects the large number of new fields which were brought on stream earlier this year, and which are now building up to peak production.

Growth in the manufacturing sector, by contrast, was more patchy. Manufacturing output fell in June by 0.2 per cent, compared to the previous month. But though this fall surprised the City, analysts yesterday pointed out that measured on a three monthly basis - considered a

Continued on Page 24

London stocks, Page 15

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STOCK MARKET INDICES			
FT-SE 100: 3,167.5 (+17.0)	US LUNTIME RATES	STERLING	DOLLAR
Yield 5.98	Federal Funds 4.25% (4.4%)	New York luntime: 1.54995	New York luntime: 1.5785
FT-SE Eurotrack 100: 1,406.12 (-3.28)	3-mo Treasury Bill 4.553%	London: 1.5416 (1.5397)	FF: 5.398
FT-SE-A All-Share 1,594.81 (+0.5%)	Long Bond 7.52% (7.408%)	DM: 2.4399 (2.4393)	SP: 1.33235
Nikkei 225 20,521.70 (-155.14)	Yield 7.52% (7.408%)	Y: 100.575	Y: 100.575
New York luntime: 1,374.88 (-16.83)	■ NORTH SEA OIL (Argus)	DM: 1.5892 (1.581)	DM: 1.5892 (1.581)
Dow Jones Ind Ave 3,748.98 (-1.79)	Brant 15-day (Aug) \$17.20 (18.58)	FF: 5.4136 (5.4061)	FF: 5.4136 (5.4061)
S&P Composite 458.84 (-1.79)	■ Gold	SF: 1.3947 (1.394)	SF: 1.3947 (1.394)
■ LONDON MONEY	New York Comex (Dec) 322.5 (323.1)	Y: 154.893 (154.213)	Y: 154.893 (154.213)
3-mo Interbank 5.5% (same)	London 327.5 (378.2)	2 Index 79.4 (79.3)	2 Index 79.4 (79.3)
Life long gilt 10.5% Sep 102.5 Sep 102.5		Tokyo Y 100.45	Tokyo Y 100.45

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## Uncertainty over Abiola release

By Paul Adams in Lagos

Nigeria was plunged into further uncertainty last night when detained opposition leader Mr Moshod Abiola was reported to have rejected the military government's offer to release him on bail.

In a move designed to ease the country's acute political and economic crisis, the authorities sanctioned the conditional release of Mr Abiola, held in the capital Abuja on a treason charge, arising out of his claim

to the presidency. The terms, which include a condition that Mr Abiola does not address any public rally, were said to have been rejected by the opposition leader, according to an aide.

The initiative followed a month of mounting pressure which saw Lagos, the biggest city, paralysed, and vital oil exports severely hit by a continuing industry strike.

Unofficial estimates put the loss of crude oil production at over a quarter of the normal 2m barrels a day. Anglo-Dutch Shell,

which produces half of Nigeria's oil, has cut its production by at least 400,000 barrels per day.

On Friday it suspended supplies of its Bonga medium crude oil, produced in the Niger delta at onshore fields exposed to violence and sabotage which have been either threatened or carried out against strike-breaking.

Oil prices fell sharply on news of the offer to release Mr Abiola. The Key September Brent futures

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## NEWS: INTERNATIONAL

## Ozone alarms bring autobahn miracle

For German drivers hurtling towards the next jam, times are changing, reports Quentin Peel

It may be merely midsummer madness, a by-product of the heatwave swelling over the European continent, but something seems to have snapped in the German soul.

That ultimate symbol of German success, the motorway, has been hit by a head-on collision with the environment, and the absolute determination to drive down the autobahn as fast as one physically can.

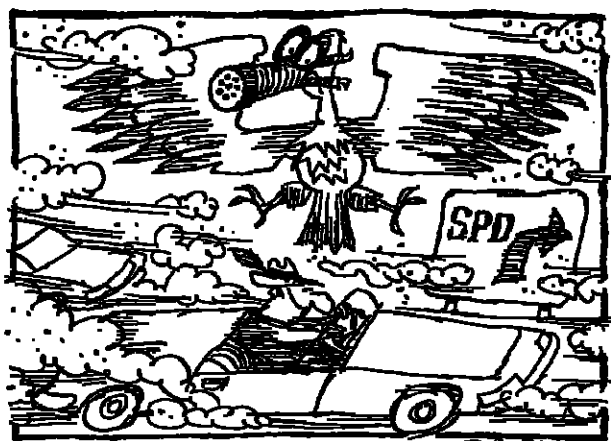
The irony is that half the time one physically can't. For the wonderful German autobahn system is grinding to a halt in interminable traffic jams every weekend, as the population indulges in the national religion of heading for the hills, the sea, or the woods - anywhere but home.

"That's part of the problem," says Paul Schumacher, political editor of RTL television, who drives a large Mercedes to work and a convertible Rolls Royce for pleasure. "If the German motorist has to spend half his life in a jam, he demands the right to spend the rest of his time driving flat out."

He admits to speeding up the unregulated autobahn from Bonn to Cologne at around 200 kph and being regularly over-

taken by five or six drivers going faster. "At 180, you had better drive in the slow lane," he says.

That was before this summer's ozone alarms. Parents are refusing to let their children play in the playgrounds. The city of Cologne has banned its schools from organising outdoor sports. Hesse is only



the first of a string of states expected to impose autobahn speed limits whenever ozone levels rise over 180 micrograms per cubic metre of air.

Predictably, the motorist lobby is up in arms. "Short-term speed limits have no, or very marginal, effects on ozone levels," says the ADAC motor-

ists' club.

Yet even the ADAC admits that its own members are split 50:50 for and against a national speed limit. So why do half of them want to drive so fast?

"I think you will have to ask a traffic psychologist," says Mr Maximilian Maurer, a spokesman for the ADAC in Munich. "If people have a car that goes at 200, and the open autobahn in front of them, they can't see why they shouldn't drive that fast. But the real reason is more deep-seated. It is something emotional for us."

But German motorists don't only love speeding. They appear to love their traffic jams, too. And they last not just for hours but at peak holiday periods, for days.

The ADAC has a team of so-called "traffic jam consultants" touring the autobahns on motorcycles, bringing succour to the bemoaned motorist.

"Most motorists are much better equipped for jams these days than when I started," one of the old hands said on TV yesterday. "They bring enough

bottles of water, and cool-bags of food, too. They bring games for their children to play."

"There's also a problem if you need to go to the lavatory. We advise every motorist to carry a folding spade, for emergencies."

It is all an admirable example of Germany's extraordinary thoroughness. And that, says the ADAC, is also why Germany doesn't need any universal speed limit.

"They have them in other countries, like Italy," says Mr Maurer, "but they simply don't obey them. We would be very law abiding."

There is something called a "recommended maximum speed" on German autobahns of 130 kph, but it has no legal provisions. A recent court ruling said it should be taken into account when assessing liability in accidents.

Has it had any effect on the speed merchants? "Absolutely none, as far as we can tell," says Mr Maurer. Only the ozone alarm can do that.

## INTERNATIONAL NEWS DIGEST

## Moscow to act as corporate debt threatens stability

The Russian government prepared yesterday to tackle the mounting inter-enterprise debt which threatens to jeopardise the nation's fragile economic stabilisation. Officials announced yesterday that the president and cabinet were preparing five decrees to deal with the issue and a special commission, chaired by Mr Oleg Soskovets, a deputy prime minister, and including two other deputy prime ministers and the chairman of the central bank, was formed to address the problem. Mr Soskovets, who is to report weekly on the work of the committee to the president and prime minister, said the issue of inter-enterprise debt was so serious that "it must be resolved without a single minute of delay". Mounting inter-enterprise debt, which has appeared in many of the countries moving from communism to the market, has damaged in Russia because the government's relatively tight fiscal and monetary policies have not been matched by restructuring of large enterprises. Unable to obtain the soft state credits upon which they have traditionally relied, Russian factories have simply lent one another money, or shipped goods without being paid. By doing so, they have created a byzantine web of inter-enterprise debt which now threatens to paralyse the economy.

Christina Freeland, Moscow

## Freedom for Mavrodi sought

Angry shareholders yesterday demanded that the government release Mr Sergei Mavrodi, president of MMM, the investment fund, embroiled in post-communist Russia's biggest financial scandal. Mr Mavrodi was arrested late on Thursday and his home was searched in a dramatic raid by armed tax police. But yesterday morning some 3,000 investors rallied to the businessman's defence bearing banners reading "Hands off Mavrodi" in a demonstration outside MMM's headquarters in central Moscow. The value of shares in the pyramid scheme has tumbled from Rb15,000 to Rb2,500 over the past two weeks. MMM officials said the fund would remain closed until the release of Mr Mavrodi, who could face up to five years in jail for tax evasion. Tax officials said he and his entourage succeeded in destroying documents while police mounted their elaborate break-in. Crowds backing Mr Mavrodi have numbered a few thousand at most, but at yesterday's meeting MMM supporters repeated Mr Mavrodi's own threat that if the government does not halt its attacks on the fund the state could be toppled by disgruntled investors. Government officials have characterised MMM shares as no better than "lottery tickets" and Russian financiers have described the crisis as one of the unavoidable growing pains in the transition to a market economy. Christina Freeland, Moscow

## Aircraft crash kills 47

A military transport aircraft crashed yesterday morning in Siberia, killing all 47 passengers, in Russia's third aviation disaster this year. The crash, which brings the death toll in Russian skies this year to 270, offered a bleak rebuttal to assertions by the Russian Foreign Ministry on Thursday that Russian aircraft are as safe as western ones. The Antonov-12 transporter crashed while coming to land at the Boda military airport near the Chinese border. This year's other two big crashes were of civilian aircraft, but yesterday's accident suggests that safety and maintenance standards have also plummeted in the traditionally more elite world of military aviation. Russia's civilian aviation industry, once a single monolithic organisation, has fractured into dozens of national and private companies which have difficulties in obtaining spare parts and proper fuel. Similar problems, and widespread reports of corrupt officers selling off military hardware for personal profit, beset the Russian airforce. Christina Freeland, Moscow

## New airbag plant for Europe

TRW, the US car components, defence and space group, is to invest \$40m (£26m) to build a new airbag inflator plant in Europe. Earlier this month the group opened a new airbag assembly plant in Italy. It said it had launched a Europe-wide search for a site for the inflator plant. Driver and passenger airbags are one of the fastest growing sectors of the world car components industry, and TRW is seeking to increase rapidly its production capacity in Europe. The US group has invested more than \$700m to develop its airbag operations in North America and Europe with its main European airbag engineering and manufacturing operations at Alford, Germany. It has also established a facility for sewing airbags at Czestochowa, Poland. TRW said that it was planning to produce 1m airbag modules next year at its new plant at Brichersa, near Turin, from which it will initially supply Fiat, the Italian carmaker. Kevin Done, London

## France holds fundamentalists

France yesterday detained nine Algerian Muslim fundamentalists in a demonstration of its tough stance following this week's attack on an embassy building in Algiers in which five French police and consular officials died. The radical Armed Islamic Group (GIA) claimed responsibility for the attack, the latest in a campaign against foreigners, which is aimed at destabilising the military-led Algerian government. Yesterday's detentions, ordered by Mr Charles Pasqua, the interior minister, came as France sought to pressure western partners, including the US, Germany and Britain, into taking stronger action against Algerian Muslim militants on their soil. The detentions followed a dawn roundup. The nine fundamentalists were interned at a disused army barracks and six were served with expulsion orders. Seven other suspected fundamentalists had previously been detained. Mr Edouard Balladur, the French prime minister, condemned religious fundamentalism at a ceremony for the five French victims. "An ideology cannot be built on hatred. One does not serve religion by mixing it with terrorism," he said. John Ridding, Paris

## Alcatel wins Chinese deals

Alcatel, the European telecommunications group, yesterday said that it has won contracts worth a total of \$140m to supply digital telephone lines to 10 Chinese provinces. The contracts will further reinforce Alcatel's presence in China, the world's fastest growing telecoms market. This year, the company expects to sell 7m lines of switching equipment to China. The latest agreement, concluded by Alcatel Standard Electric, the company's Spanish subsidiary, involves the export of Alcatel 1000 S12 telephone lines. Following this agreement, the Spanish subsidiary now has 4m digital telephone lines on order, of which 1.5m have already been delivered and 1.25m have been put into service. The contract will also expand to Alcatel Standard Electric's presence in China to 18 of its 30 provinces. John Ridding, Paris

## Ecuador airline to be sold

The Ecuadorian government announced the sale of a 75 per cent share in the state airline, Ecuadoriana, following nearly a year of indecision that left the financially troubled airline grounded. The government has now pledged to assume the airline's debt portfolio, which exceeds \$100m. The transformation into a stock company will take place in weeks. Ecuadoriana's routes to destinations throughout North and South America may attract investors. The only remaining company-owned aircraft was confiscated by creditors nearly eight months ago and since then has been stranded in Panama. Nearly all the airline's staff had been sacked, leaving only some 50 employees. Raymond Collu, Quito

## Investment law for Cambodia

Cambodia's national assembly has passed a long awaited investment law, but businessmen and others said yesterday it was unlikely to bring a rush of investment even though it was a boost for the economic climate. The assembly approved the law after months of wrangling between competing interests in the administration and extensive redrafting of the bill. Profits are tax-exempt for eight years. Imported construction materials, equipment, raw materials and half-finished goods are all duty-free for various categories of ventures, including those which export 80 per cent of output. Investments in tourism, in labour-intensive industries, infrastructure and energy are also eligible for tax incentives. Reuters, Phnom Penh

## Fishing wars highlight EU policy strains

By Tom Burns in Madrid, Hugh Corboy in Stockholm and Deborah Hargreaves in London

Fish wars raged across European waters yesterday as the dispute between Spanish and British tuna fishermen continued in the Bay of Biscay and Norway accused the crew of an Icelandic trawler of shooting at Norwegian coastguards.

The disputes centre on access to jealously-guarded fish stocks and highlight the problems faced by the European Union in running a common fishing policy.

Spanish fishermen have been attacking British boats which they claim are using drift nets longer than the EU limit of 2.5km to catch tuna. Yesterday the Royal Navy boarded a Cornish trawler which was suspected of breaking the rules and confiscated its gear. Spain will call for an outright ban on the use of drift nets by trawlers when EU agriculture and fisheries ministers meet in council on September 28.

"We will ask for an immediate and total prohibition," Mr Rafael Conde, director general for fishing resources, said yesterday. "This is something we have always pressed for and we are backed by a Commission report which says drift nets should be phased out over the next four years."

In Norway, officials said the shooting incident occurred in a long-running row over cod-fishing rights in arctic waters, when coastguards attempted to cut the nets of the Icelandic trawler Havgaur 2 from Svalbard.

Icelandic fishermen, forced to seek new fishing grounds by diminishing stocks in home waters, want cod quotas in areas around the Norwegian-controlled Svalbard islands and in the so-called "loophole", a 63,400 sq km protected zone managed by Norway and Russia where arctic cod spawn.

Norway believes tight control over cod stocks in the Barents sea is necessary to protect stocks in waters further south. The European Commission says emotional disputes over fishing rights are inevitable because fish respect no borders and the need to conserve stocks means that quotas must be imposed.

The Spanish fishermen who use traditional rods and lines to land their tuna are angry

that the British, French and Irish trawlers are able to scoop up much bigger catches with drift nets.

Spanish fishing authorities say that drift nets of any size constitute an ecological disaster as they are beginning to pose a serious threat to the tuna population. But British fishermen suspect their motives.

"This is not a dispute over net size, but about access to the waters," said Mr Richard Banks, chief executive of the National Federation of Fishermen's Organisations.

The atmosphere in the Bay of Biscay was tense yesterday with at least five British and Irish trawlers opting to return to their home ports to escape the skirmishes. Last month the Spanish fleet clashed with French trawlers and blocked Spain's northern ports to force Madrid to take firm action against drift nets.

Fishing disputes are likely to increase as Spain is fully integrated into the EU's common fishing policy at the end of next year and Norway joins the EU. The fishing policy aims to guarantee access for all member countries to all waters subject to conservation measures.

Since drift nets began to be used at the end of the 1980s the volume of tuna caught in the Bay of Biscay has doubled.

## IG Metall leader calls for pay rise above inflation

By Christopher Parkes in Frankfurt

The leader of Germany's powerful IG Metall trade union opened the 1995 pay round yesterday with a demand for a fair share of the benefits from an economic recovery "built on the backs of the workers".

Mr Klaus Zwickel said the engineering and metalworkers' union would be seeking a settlement above the rate of inflation which also took into account significant increases in productivity.

The past three years of real pay cuts were enough, he said, in an interview with the mass-circulation daily, Bild. "We must put an end to this now," he said.

Making his first public contribution to the federal election campaign, Mr Zwickel

added that well-off individuals and companies should pay a "justice levy" to fund social and environmental work projects which would help close the gap between rich and poor.

"We need a government which is ready to squeeze the rich to fight poverty," he said.

Although engineering pay negotiations are not due to start until the end of the year, the interview prodded the political and industrial opposition into instant reaction.

Mr Klaus Bregger, a Christian Democrat lobbyist for independent businesses, said the proposal was completely wrong for the current circumstances. Mr Tyl Necker, president of the Federation of German industry, said companies already faced extra payroll tax charges, higher health insurance premiums and insurance taxes in 1995. Further charges

would endanger jobs, he said.

Yesterday's brief skirmish marked the start of an annual position-taking ritual preceding formal negotiations.

Mr Zwickel's demands suggest that while last year's campaign founded in the recession, the union had been emboldened by mounting indications that economic recovery was under way.

Earlier this week unexpectedly high manufacturing orders and a sharp fall in July unemployment prompted economists to start revising their economic growth forecasts for this year and next.

Despite the moderation of Mr Zwickel's tone, the interview will put government, companies and the Bundesbank on the alert for a potentially testing time over the winter.

World Stock Markets, Page 21

## Serbian president responds to economic pressure to cut ties

## Milosevic blocks traffic to Bosnia

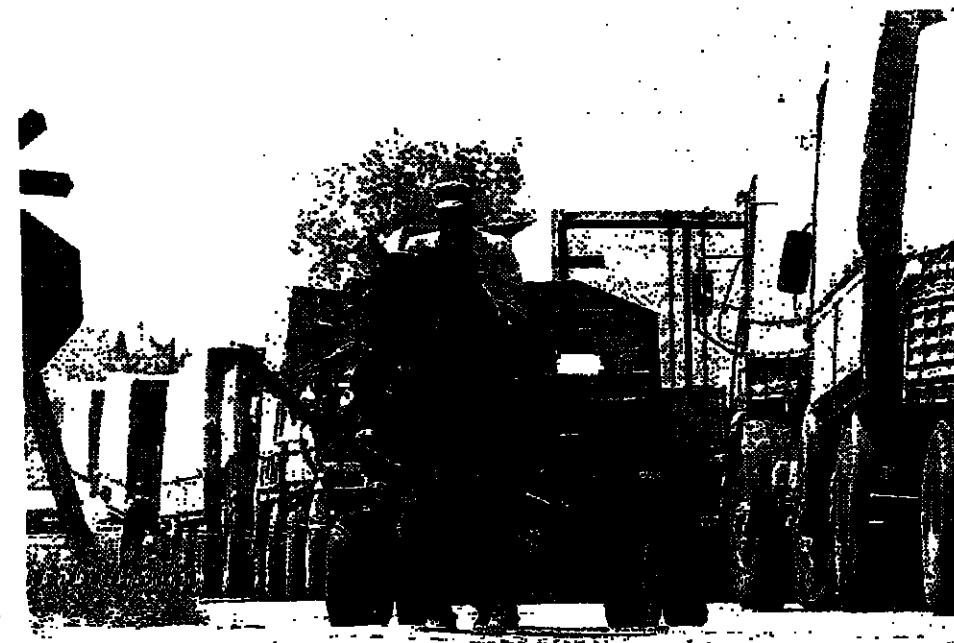
By Paul Adams in Belgrade and Matthew Kaminski in London

Lines of lorries sat on the Bosnian-Serbian border yesterday, in the first sign that Serbian President Slobodan Milosevic may be serious about cutting political and economic links with the Bosnian Serbs.

The northernmost crossing at Srebrenka Raca, usually busy with traffic from Serb-held territory in Bosnia and Croatia, had all but sealed up yesterday morning.

Truck drivers on the Serbian side complained of long delays and a lack of information about the new rules. One man, turning after 18 hours at the border, was carrying a cargo of used school textbooks donated by the Serbian Red Cross. The books were destined for refugees in Serb-held north-western Bosnia. "The west's goal is to pit Serb against Serb," he said of the announcement that Belgrade intended to impose its own sanctions against the Bosnian Serbs. "And Milosevic fell for it."

The Serbian police refused to give details of the new orders and an air of confusion hung over the hot, dusty crossing. Drivers said loaded trucks were being let out of Bosnia but only empty ones were being let back in. Many of the private cars



A horse and cart pass traffic stopped on the Bosnian border near Srebrenka Raca yesterday, as Serbian police turn back lorries bound for Bosnian Serb territory.

leaving Bosnia had German and Austrian licence plates, suggesting that those Serbs who had other places to go to were leaving while they could.

Further south, at Zvornik, Bosnian Serb police reported less traffic crossing the river but expressed some of the same defiance that has typified the recent proceedings of the Bosnian Serb assembly in Pale.

The Yugoslav Serbs "were never our friends anyway," said one officer. "But we have our state and we don't need them."

There were other signs of the clampdown yesterday but officials avoided being drawn on the details. In Belgrade, radio

and television reports rarely mentioned the border closing or the cut telephone lines. Mr Milosevic seems more eager to convince the west - and less keen to risk his domestic standing by openly isolating Serbs in Bosnia.

The Bosnian Serbs still have vast military stocks but an embargo supervised by international monitors could take a toll quickly, analysts say.

The Serbian president made similar threats last year, when the Bosnian Serb self-declared parliament flouted the Vance-Owen peace plan. But the UN was not permitted to monitor the 48 border crossings, and aid continued to flow across

the historic River Drina.

This time, the test will be whether monitors will be allowed on the ground and whether arms and, as important, oil does not get across. "The key thing is to see how serious Milosevic is in cutting links," said Dr Mats Berdal of the London-based International Institute for Strategic Studies.

But the Serbs, under intense economic pressure, have less room for manoeuvre than last year. Mr Milosevic may be eager to force out the Bosnian Serb leader, Mr Radovan Karadzic, and bring in the so far conspicuously quiet army leader, Mr Ratko Mladic.

## Chile seeks copper investigations

By David Pilling in Santiago

Codelco, Chile's state copper company, is to ask UK and US regulatory authorities to investigate a "series of unusual operations" said to have been conducted with brokers on the London and New York metals exchanges last year.

Codelco said it might take legal action against the brokers concerned.

Codelco, the world's largest copper producer, lost out to \$270m (£174m) between September 1993 and January of this year when its chief metals futures operator, Mr Juan Pablo Davila, went on a disastrous trading spree. He is believed to have dealt with more than 20 London and New York brokers.

Codelco executives yesterday left Santiago for London, where on Monday they are due to present findings from an interim report prepared by

Ernst & Young, the British consultant, to the Securities and Investment Board, the Securities and Futures Authority and the London Metal Exchange. They are later expected to offer similar evidence to the Commodity Futures Trading Commission in Washington.

Mr Juan Villarriz, Codelco's president, said preliminary investigations had revealed a series of unusual operations which may have permitted Mr Davila to hide his huge losses.

He admitted there "may not be enough evidence to prove the existence of fraud" or that brokers necessarily acted "with the intention of helping Mr Davila to defraud Codelco". However, he called on UK and US regulatory authorities to investigate because "they have direct access to the brokers' accounts, which we do not."

## EU set for clash on Gatt ratification

By Emma Tucker in Brussels

The European Union's smaller member states look set for a clash with the bigger ones over the basis on which the General Agreement on Tariffs and Trade's Uruguay Round trade liberalisation accord is ratified.

The row centres on whether the European Commission should persist with its request to the European Court of Justice for an opinion on where legal competences lie in matters covered by Gatt.

The court has been asked to clarify those areas where competence lies with the Commission and those where it rests with the member states, and to identify any grey areas. It is expected to give its views towards the end of the year, which would not leave much time

for ratification of the accord before the deadline of January 1 for establishment of the World Trade Organisation, Gatt's successor.

The Commission has said it is willing to consider a code of conduct for member states, which might act as an alternative to the opinion of the court, in order to meet this deadline.

"There is a possibility that the US will ratify on time and that the Japanese will do so too. It would be unfortunate if they got there on time and the Community didn't," said a senior Commission official yesterday.

However, smaller countries are insisting it would be foolish to proceed with ratification, even under the aegis of a code of conduct, without a proper legal basis provided by the European court.

The split between the countries is reflected in an apparent division within the Commission over what the position of Europe's executive body should be.

Some commission sources suspect the Union's more powerful members - notably France, Germany and the UK - are trying to persuade the Commission to withdraw its proceedings in the court, as they fear the judges will attribute trade competences to the Commission rather than to the member states.

This would come at a time when all three countries are becoming wary of integrationist tendencies.

Other Commission sources say Brussels is waiting until September to see what the German presidency produces

as a proposed code of conduct.

"The reality is that unless they produce something worthwhile, we will not consider dropping the court case," said a Commission official. "It is on the other hand they come up with something that is acceptable to the Commission, then we will withdraw."

The other problem is that the Council of Ministers has not yet responded to the European Parliament's request for the text of the Gatt agreement so that it may begin work on ratification.

The Commission has proposed proceeding under Article 228 of the Maastricht treaty, which gives the parliament the power to say yes or no to ratification. The council is unhappy with this proposal, but has yet to decide on which legal basis to proceed with the parliament.

مكتبة



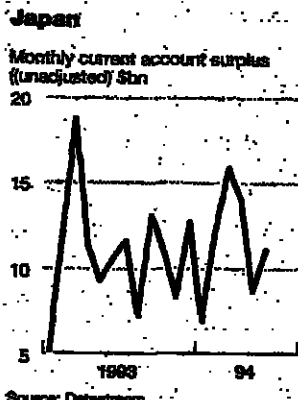
## Surplus hits record \$69bn in Japan

By Gerard Baker in Tokyo

Japan's current account surplus widened in June to \$11.1bn (£7.1bn), up 4.7 per cent on a year earlier, according to preliminary figures released yesterday by the Finance Ministry. In the first six months of the year the surplus was up 2.2 per cent at \$68.5bn, the highest figure on record.

But the increase was smaller than financial markets had been expecting and the longer term trend suggests the surplus might have peaked. In the three months to the end of June the seasonally adjusted surplus rose by just 1.2 per cent against the previous three months.

A sharp increase in the merchandise trade surplus was offset by a deficit on the services balance. Ministry of Finance officials said special factors,



such as intensive shipping exports, had helped push the trade surplus higher. Exports increased by 9.4 per cent in June against a year earlier while imports rose by 6.5 per cent.

But the balance on services slipped into the red to the tune of \$1.6bn, the largest deficit in a year, largely because of a fall in investment income caused by the repatriation of overseas assets by Japanese companies.

The overall increase in the current account surplus owed much to the strengthening yen, as prices of exports rose with the value of the Japanese currency and import prices fell.

Measured in yen terms, the increase in June's current account surplus was just 0.2 per cent. In the first six months of the year, exports decreased by 0.9 per cent in volume while imports grew by 10.4 per cent.

Analysts pointed to the yen figures as evidence that the huge surplus, the cause of much trade friction between the US and Japan, is finally peaking.

"We seem to be at or near the peak of the current account surplus," said Mr Richard Werner, chief economist at Jardine Fleming Securities in Tokyo. "The strong currency might produce another month or two of increases, but in the longer term the surplus is headed downwards."



A sect follower at prayer in Kuala Lumpur yesterday

## Mahathir opens high-risk crusade against Islamic sect

Kieran Cooke and Stephanie Gray on the Al Arqam dispute

Entering the Kuala Lumpur headquarters of Al Arqam, an Islamic sect founded in Malaysia in the late 1960s and which claims more than 100,000 followers at home and abroad, is like walking into another century.

Men are dressed in flowing khaki robes and turbans, in imitation of a style said to have been favoured during the time of the prophet Mohammed. Women are draped in the black hijab, a familiar sight in many parts of the Middle East but rare in Malaysia, a country which prides itself on its religious and racial diversity. The sound of children chanting verses from the Koran comes from the Al Arqam school in the sprawling, five-acre compound.

According to the Malaysian authorities, this tranquil scene hides an altogether darker reality. Yesterday, most of Al Arqam's activities were labelled as "deviant" by Malaysia's National Fatwa Council, the body that rules on Islamic orthodoxy, and the government pledged to use a battery of laws to stop Al Arqam's proselytising activities. More than 200 schools run by the sect throughout Malaysia will be closed down and Al Arqam members could be liable to imprisonment without trial under the terms of Malaysia's wide-ranging internal security act.

Dr Mahathir Mohamad, Malaysia's prime minister, has described Al Arqam as "a threat to national security". Yesterday the group filed a defence

suit against the government for accusing it of raising a private army.

The government seems intent on doing battle with the sect. "They are the biggest threat faced by the government since the communists," a senior government official said yesterday. Malaysia has lobbied other countries in the region to take action against the group.

Quite why Dr Mahathir's government has taken such a sudden dislike to Al Arqam is far from clear.

Over the years it has been tolerated and at times encouraged by the authorities. Al Arqam (the name is derived from the house from which Mohammed is said to have spread his teachings) promotes a mystical path to Islam, in which a movement will rise in the East to hail the return of a messiah who will lead an Islamic revival. Members live relatively unobtrusively, mostly in a series of communes spread throughout Malaysia.

The sect believes in strict adherence to Islamic principles in which, among other things, polygamy is encouraged. Al Arqam's founder and leader, Ashaari Muhammad, exercises influence over every aspect of the sect's activities; all members wear badges bearing his portrait.

An Al Arqam media centre gives out lavishly produced books of Mr Ashaari's teachings. Video cassettes promote his views while Al Arqam musical groups have produced record albums on similar

themes. Mr Ashaari has lived in self-imposed exile in Thailand since 1988 but is now believed to have gone with a large number of his followers to Jordan.

The catalyst of official concern could have been the arrest of 19 Malaysian Al Arqam members at a Moslem fundamentalist demonstration in Cairo in April. About 65 per cent of Malaysia's 19m people are Moslem Malays.

For several years the government has been worried over Malays going abroad to study coming under the influence of militant Islamic groups, most of them on government scholarships. Serious tensions could arise in multicultural Malaysia if such fiery brands of Islam took hold.

Some feel that Dr Mahathir sees Al Arqam as a potential political threat. Mr Ashaari ruffled official feathers recently when he is reported to have said that he was a more popular figure in Malaysia than Dr Mahathir.

General elections will probably be held in Malaysia later this year or early next. Dr Mahathir's United Malays National Organisation (Umno) is unlikely to lose its tight grip on power but some Malays feel that, in the rush to modernise, the government has not paid enough attention to things spiritual. There is concern within Umno that some members, once party stalwarts, have recently decided to join the ranks of Al Arqam.

The fundamentalist Parti

Islam (PAS), based in the northern state of Kelantan, appeals to the poorer, rural voters. Of more concern is a movement like Al Arqam whose followers come mainly from the urban-based intelligentsia, many of who hold senior positions in the civil service, the police and the armed forces.

Dr Mahathir will have to tread carefully in acting against the sect: any rigorous action could send shockwaves through the Malay community. A relatively tranquil political atmosphere has been one of the key elements in attracting foreign investment to Malaysia, a central part of the country's economic success.

Al Arqam has considerable economic clout. It has not allowed its brand of Islam to stand in the way of building a business empire which includes livestock, food processing, retail outlets, restaurants and clothing businesses both in Malaysia and the region. Mr Hashim Jaffer, an Al Arqam spokesman, says the sect has commercial assets of \$100m (£64.5m). The sect denies having political ambitions.

Mr Hashim claims Dr Mahathir fears the influence of his group which he says has established schools, hospitals and shops distributing services to "the masses". He adds that Dr Mahathir is also creating a climate of fear in advance of the elections. "He is trying to create a monster in order to win the support of non-Moslems", he says.

## Samsung to launch Ricoh countersuit

By John Burton in Seoul

Samsung Electronics said yesterday it plans to file a countersuit soon against Ricoh, the Japanese office equipment maker, in an escalating legal battle over patent rights on facsimile machines that could affect the companies' sales in the US.

The announcement by Samsung, South Korea's largest electronics company, follows a patent infringement suit filed with the US International Trade Commission against it by Ricoh on Monday.

The Samsung suit, which will be filed with the ITC or in a US district court, will claim that Ricoh has infringed at least two of the Korean company's patents on circuit systems that control the operation of facsimile machines.

Samsung dismissed charges by Ricoh that it violated two patent rights. "The technology claimed by Ricoh was developed by other facsimile equipment makers earlier than its use by Ricoh," a Samsung official said.

"The patent infringement claimed by Ricoh concerns only a minor part of fax machine technology, while we claim that Ricoh has infringed on patents that represent a major part of the technology," he said.

Some analysts believe Ricoh filed the suit, which would prevent Samsung selling facsimile machines with the disputed technology in the US, in an attempt to protect its market share.

Samsung will seek an injunction against all Ricoh's facsimile machines sold in the US and will seek monetary damages for patent infringement, which mirror the penalties being sought by Ricoh.

The Korean company claimed that independent examinations conducted in the US confirmed Ricoh had used Samsung technology in its facsimile machines.

● The former president of Korea Electric Power (Kepco), South Korea's state-owned electricity monopoly, has been arrested on charges of accepting bribes involving an order for Canadian nuclear reactors.

Mr Ahn Byong-wha, who is also a former trade and industry minister, is accused of accepting Won200m (£161,000) from the Korean agent for Atomic Energy of Canada, which supplied three nuclear reactors to Kepco.

Mr Ahn allegedly demanded the money in an attempt to bribe other government officials to extend his term as Kepco president, which lasted from 1989 to March 1993.

He fled to the US last year when prosecutors began investigating bribes charges but later returned to Korea.

## Opposition groups agree on new party to fight Murayama

By Gordon Cramb in Tokyo

Leaders of five reformist opposition groups in the Japanese parliament yesterday agreed in principle to form a single party aimed at regaining power from the old-guard coalition which won office last month.

They plan to choose a name and resolve policy issues before the Diet meets again in September.

The five include three former prime ministers - Mr Morihiro Hosokawa of the Japan New party, who headed a seven-member coalition formed a year ago, his successor Mr Tsutomu Hata of the Japan Renewal party, and Mr Toshiki Kaifu, the most recent of the three to have defected from the right-wing Liberal Democratic party, which ran Japan for 47 years

until last summer, served as LDP premier in 1989-91.

For the past month Mr Kaifu has sat as an independent but has formed a parliamentary grouping called Koshi Kai. His former party is back in government in alliance with the Social Democratic party, the LDP's traditional rival, and the New Harbinger party, which had been a member of the previous two

ruling coalitions. The other two members of the nascent political force are Mr Koshiro Ishida's Buddhist-backed Komeito, the clean government party, and Mr Takashi Yonezawa's Democratic Socialist party.

Mr Yonezawa said last night it would take time to build consensus on policy issues and form a solid organisation. His party has at vari-

ous times been close both to the SDP and the LDP.

Together the five would have some 188 seats in the present 511-seat Diet. However, the next general election is likely to be fought on redrawn boundaries and with greater use of proportional representation. A government advisory panel is due next week to present proposals to Mr Tomiichi Muray-

ama, the SDP prime minister, on a new electoral map for the country.

Mr Hata said last night the new party "needs to be strong in order to rival the LDP". But one main motive for a formal merger is that under the new system big parties will qualify for an exponentially larger amount of state funds for campaigning than would be accorded to smaller groups.

## Talks offer few clues to Pyongyang stance

By Frances Williams in Geneva

High-level talks between the US and North Korea resumed yesterday in a fresh attempt to persuade Pyongyang to put its suspected nuclear programme under full international safeguards. The talks, suspended a month ago after the death of North Korea's president, Kim Il-sung, are expected to last a week or more.

Mr Robert Gallucci, US assistant secretary of state, and Mr Kang Sok-ju, North Korea's first deputy foreign minister, said their initial eight hours of talks at the US mission in Geneva had been "businesslike and intensive". The talks have been adjourned until Monday to allow the delegations to consult their respective capitals.

Yesterday's encounter was seen as offering the first pointer towards any shift in North Korean foreign policy following the assumption to power of Mr Kim Jong-il, the late president's son. However, speaking to journalists after the meeting, Mr Gallucci refused to be drawn on

whether Mr Kang had indicated any change in Pyongyang's stance.

The US is said to be offering diplomatic recognition and economic aid in return for North Korea's agreement to reveal details of its nuclear activities and to comply with international inspections under the Nuclear Non-Proliferation Treaty.

Before leaving Washington for Geneva, Mr Gallucci said he expected the talks to be "broad", "thorough" and aimed at reaching "an overall settlement" of outstanding issues. Apart from the nuclear issue, the talks would cover political, economic and trade relations, he said.

Mr Gallucci's first priority, though, is to find a solution to the problem of the 8,000-odd spent fuel rods from North Korea's only operational nuclear reactor which are now decaying in a holding pond at the Yongbyon nuclear complex north of Pyongyang.

The rods were removed from the reactor in May without international supervision,

sparking fears that North Korea intends to reprocess the fuel to make nuclear bombs. In June, after mediation by Mr Jimmy Carter, the former US president, Pyongyang agreed to "freeze" its nuclear activities in return for new US talks.

However, North Korea says it will have to start reprocessing the spent fuel at the end of this month, when the rods could begin to pose a radiation hazard. Officials from the International Atomic Energy Agency in Vienna confirmed yesterday that the rod casings are of a type susceptible to water corrosion which would allow radioactive material to leak into the pond.

An IAEA source said the casing housing the uranium was made of a magnesium metal alloy susceptible to corrosion under water. The rapidity of the corrosion depended on the temperature and the state of the water. The only solutions were either to remove the rods into dry storage, thereby halting any further damage, or to reprocess the fuel as soon as possible.

Singh seeks to lure opposition back to parliament

## Minister apologises over Bombay scandal report

By Shiraz Siddiqui in New Delhi

Mr Manmohan Singh, the Indian finance minister, yesterday apologised for words used to describe a parliamentary report on the 1992 Bombay securities scandal, in a bid to end the opposition's boycott of parliament.

Mr Singh withdrew the words "unwarranted" and "unfair" that he said his ministry had used inadvertently to describe parliament's criticism of the government over the \$1.28bn (£820m) scandal.

Opposition leaders said the report was a cover-up of the government's role in the scandal, and has boycotted parliament for the remainder of the session, until August 26, after the demand that the report be withdrawn was not met.

Apologising for the "lapse" which he said was "entirely

unintentional," the finance minister said it was never his government's intention to reject the committee's report or to show any disrespect to the committee.

It was not immediately clear whether Mr Singh's apology will be enough to tempt the opposition back to parliament. It accused Prime Minister P V Narasimha Rao of reneging on his promise to punish all those responsible for the scandal.

Bankers and brokers were accused of colluding to siphon money illegally from the inter-bank market in government securities to invest on the booming Bombay stock exchange.

The government's enforcement directorate, perhaps to prove that action is being taken, yesterday filed a criminal complaint for violations

under the Foreign Exchange Regulations Act against Mr Harshad Mehta, the stockbroker at the heart of the scandal. The complaint could lead to Mr Mehta's arrest; he is already facing charges of fraud, and of breaking bank and stock market regulations.

Complaints were also filed against his brother Mr Sudhir Mehta, Mr R S Narasimhan, assistant manager of the State Bank of India in charge of treasury operations at the time of the scandal, and his wife Mrs Meera Narasimhan.

● India's Home Minister Shankarrao Chavan yesterday accused Pakistan of conspiring with Moslem militants blamed for bomb blasts that killed 260 people in Bombay last year and said there was evidence the extremists passed through Dubai and Thailand. Reuter adds from Bombay.

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# High pass marks for new solicitors spark fears

By William Lewis  
and John Mason

Law firms yesterday expressed concern at the high exam marks awarded to trainee solicitors who have just completed the Law Society's controversial new exam course.

The College of Law, responsible for training approximately half of all trainee solicitors, released results of its legal practice course yesterday which showed that more than 85 per cent of the 3,339 entrants passed. The pass rate has been as low as 65 per cent.

More than 80 per cent of those passing achieved a distinction or commendation. Only 497 students failed to pass and 66 per cent of those who were resitting just one paper in September.

The new qualification - the legal practice course - replaced Law Society finals as the solicitors' graduate entry qualification. It involves regular assessments, some based on video, and exams spread throughout the year. The old Law Society finals were based entirely on end-of-year exams.

According to Mr Richard Holbrook, chairman of the College of Law's board of management, last year's first-time pass rate was "in the low seventies". The college said it was unable to give exact figures for last year's pass rates.

Mr Trevor John, trainee partner at City law firm Stephenson Harwood, said: "Generally there must be a concern that the qualification is being devalued." He said his view was supported by the mixed reaction of trainees on the course, some of whom found its standards quite easy to reach.

A partner in another City law firm said: "We have just seen that most of our trainees have got distinctions, and I'm sure it's not because we have been lucky with our recruitment this year."

Mr Holbrook defended the results, saying that the main reason for the improved pass rate was the higher standard of candidates.

## Rail union to consider return to negotiations

By Robert Taylor,  
Labour Correspondent

A meeting of the RMT transport union's executive on Monday is expected to welcome Railtrack's willingness to improve its pay offer to signalling staff by allowing up to half of a 6 per cent unconsolidated supplement to be included in the staff's basic rates.

This improvement would enable the signaller workers, who have been in dispute for the past eight weeks, to secure immediate basic pay rises of 4.7 per cent. The union said last night that while this would not end the conflict it would enable the union to return to the negotiating table.

Mr Bob Horton, Railtrack chairman, appealed yesterday to Mr Jimmy Knapp, the union's general secretary, for five days of secret talks. If Mr Knapp was not prepared to negotiate a final deal in these talks, Mr Horton said, he should ballot his signalling staff again on the company's latest pay offer.

time in rejecting his appeal for secret talks on restructuring. Mr Knapp said the dispute was not about restructuring but about a claim for a rise for past productivity.

He said: "If Railtrack cannot grasp this eight weeks into the dispute, it is little wonder no progress has been made towards a solution." He added that the union had proposed a joint working party to deal with restructuring and agreed to ballot the signalling staff on the final deal.

But the union executive is also anxious to clarify the willingness of Railtrack to improve its interim offer.

In another letter, sent by Mr Horton to the union on Thursday, he explained that Railtrack had told the conciliation service Acas that it was ready to reshape its last pay offer so that some of the proposed 6 per cent unconsolidated supplement could be put into basic rates.



A way appears to have been found to exploit the bog myrtle, one of the least productive features of the Scottish Highlands, to repel one of its most infuriating, the midge, James Buxton writes.

The pharmaceutical company Efmol hopes to launch within about three years a natural insect repellent based on bog myrtle, to compete with synthetic chemical-based repellents.

Bog myrtle grows all over northern Scotland in bogs and other places unsuitable for grazing. Prof Angus Stuart, a professor of pathology who retired to Skye, noticed that midges avoided bog myrtle. He found that oil from its leaves repelled the insect, which can drive people to distraction along the west coast of Scotland.

He took the idea to Efmol, which makes drugs and dietary supplements based mainly on evening primrose oil. After 3½ years of research Efmol has

applied for patents on the oil extract, and is installing a pilot extraction plant on Skye. It has just received a £25,000 grant from Skye and Lochalsh Enterprise.

Efmol obtains bog myrtle oil from leaves collected in Skye bogs by crofters but believes bog myrtle could eventually be grown in plantations and cropped like tea.

## Brokers 'wrong not to explain dismissal'

By Motoko Rich

The solicitor for a City broker accused of unfairly dismissing a woman broker who is also claiming sexual discrimination, yesterday admitted that the company was wrong not to give her a written explanation of the allegations made against her.

Mr Philip Parish, representing Mr Willis Corroon, told an industrial tribunal in Croydon, south London, that the company should have told Miss Samantha Phillips, an aviation broker, that the meeting at which she was suspended was a disciplinary hearing. The company should also have given her a right of appeal.

Miss Phillips has claimed she was dismissed because she rebuffed the advances of Mr Giles Wilkinson, head of production at Willis Corroon. He allegedly interrupted a business trip in 1992 to join her in Denmark.

Mr Jeremy Flaxman, a senior manager at Willis Corroon, said Miss Phillips was "prone to sensitivity on a number of issues". He said he did not believe that Miss Phillips' complaints about Mr Wilkinson amounted to sexual harassment. Mr Wilkinson has denied her allegations.

## Hopes improve for IRA ceasefire

By David Owen

The British and Irish governments have not ruled out the prospect of an imminent IRA ceasefire in spite of Sinn Féin's rejection of the Downing Street declaration and a subsequent upsurge in sectarian killings.

Officials think a ceasefire declaration might be made in the period between the 25th anniversary of the deployment of British troops in Ulster on August 14 and the first post-summer meeting of the British cabinet in September.

Such a move would increase pressure on the government to admit Sinn Féin, the IRA's political wing, into talks on the province's future while falling short of London's demands for a permanent cessation of violence.

The Irish cabinet is due to hold its first meeting after the holidays on August 31.

It is thought that even if the ceasefire was not time-limited, the IRA would reserve the right to retaliate for attacks on its members.

Loyalist paramilitaries are said to be in no mood to call a halt to their armed campaign after the recent IRA killings of two men identified as leaders of the Ulster Freedom Fighters, an outlawed Loyalist group.

ince continued yesterday when police found a body which the outlawed Ulster Volunteer Force said it had dumped on the outskirts of Belfast. The UVF said the man had been shot for passing information to the IRA.

Although Whitehall officials remain guarded about the chances of a breakthrough, their assessment of the situation is less gloomy than two weeks ago, when Sinn Féin's dismissal of the joint declaration as inadequate was greeted with anger.

Senior Irish officials are understood to have contacted London in the aftermath of the Sinn Féin conference at which

its response was decided to advise that the position was not as bleak as portrayed and to urge restraint.

Recent days have brought a series of cautious but generally upbeat comments by Sinn Féin leaders, culminating in Mr Gerry Adams' disclosure that he had discussed a ceasefire with the IRA before the Letterkenny meeting. Mr Adams, the Sinn Féin president, said the peace process remained "firmly on the tracks" and would not be derailed.

London has used the period since the Sinn Féin conference to try to press ahead with the search for a deal between Ulster's constitutional parties.

At the same time, says Lever Brothers, some of the tests showed "significantly superior cleaning performance" by Persil Power when compared with "another leading concentrated powder".

Mr Tina Hammond, Lever Brothers' detergent marketing director, said that the new product launch had taken Persil to the number one slot in the UK detergent market. "Persil Power has been used in 50m washes by families across Britain - all of them using product containing the revolutionary accelerator," he said.

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## Independent lifts circulation 18%

By Neil Buckley  
and Simon Kuper

The Independent newspaper said yesterday that its circulation had increased by up to 45,000 copies, or 18 per cent, in the first three days after it cut its cover price from 30p to 20p.

The Independent imposed the temporary cut on Monday, in response to the Daily Telegraph's week-day price reduction from 40p to 30p in June - followed immediately by The Times' reduction from 30p to 20p. The move could cost The Independent the equivalent of £14m a year in revenue.

Mr Ian Jack, editor of the Independent on Sunday and acting editor of the daily paper, said sales had increased from slightly above 240,000 copies a day in late July to well above 280,000 this week. Mr Jack said: "We were ahead by between 16 per cent and 18 per cent on Monday and Tuesday, although we were down slightly on Wednesday because of the tail strike."

His claims were backed by W.H. Smith, the UK's largest newspaper distributor, which said sales of The Independent were up about 16 per cent or 17 per cent. Another distributor reported increases of between 16 per cent and 19 per cent from Monday to Wednesday. The distributors said that no

single paper had been particularly badly affected by The Independent's circulation increase, with sales of all other national broadsheets down by between 0.5 per cent and 2 per cent. W.H. Smith said: "The price cuts have probably caused some quality newspaper buyers to start buying more than one paper a day."

The Independent's increase puts it only slightly above the circulation of 277,000 it was achieving in June before its rivals cut their prices, and is below its 346,000 daily sales in the six months to June 1993.

The Times would not give figures for this week but Mr Alasdair MacLeod, marketing manager, said there was "absolutely no evidence that The Independent has taken readers from The Times".

Mr Jeremy Deedes, editorial director of the Daily Telegraph, said he did not have circulation figures for this week. He said any rise at The Independent was more likely to affect The Guardian and The Times than the Daily Telegraph.

Mr Deedes added that The Times and The Independent could not trade profitably at their new prices, although the Daily Telegraph could make a profit at 30p. "But we have no wish to continue at this level," he added. "It was Mr Murdoch who began the price-cutting."

## Names issue writs on agents

Members of the Devonshire underwriting syndicates on the Lloyd's of London insurance market yesterday sued their managing agent and members' agents, Andrew Jack writes.

Writs were issued on behalf of 1,140 Names, the individuals whose assets have traditionally supported the market, on Devonshire LMX Spiral Syndicates 215 and 333.

They are seeking compensation for declared losses in the 1989-91 underwriting years of £173m plus an indemnity against future losses.

The writs follow legal actions against agents by Names on the Gooda Walker, Fairbairn and Rose Thompson Young syndicates.

## Electricity review due on Thursday

Professor Stephen Littlechild, the electricity regulator, will announce the results of his review of electricity price controls on Thursday, his office said yesterday.

The review is expected to result in electricity price cuts in 1995-96, and tighter controls on price increases thereafter. The year-long review affects the price of distributing electricity. This accounts for the main part of household bills.

Although electricity costs have now stabilised and even begun to fall in some areas, high prices, profits and salaries have attracted much criticism.

## Palumbo fails to stop legal action

Lord Palumbo, the former Arts Council chairman, yesterday failed in an attempt to block the legal action brought against him by two of his children in a dispute over the family's £70m trust fund.

His two eldest children are suing him to recover some of the fund's assets which they claim were wrongly paid out. They are also seeking the removal of Lord and Lady Palumbo as trustees of the fund.

## Mirror journalist jailed for swindle

A former Daily Mirror features editor who stole nearly £140,000 from the newspaper group was jailed for 18 months yesterday.

Mr Roger Collier, described as an "extremely able and talented journalist", set up two bogus companies to carry out the long-running series of thefts, Knightsbridge Crown Court in London heard.

He admitted 17 charges of theft and asked for 60 similar offences to be considered.

## Ford prices to rise 2% this month

The price of Ford cars in the UK is to rise by an average of 2 per cent from August 15, the company announced yesterday. Ford blamed rising production costs for the increases, which are its first since February and follow price cuts made in May.

## Probe opens on funfair accident

The Health and Safety Executive yesterday started investigating a funfair accident at Marncliffe, Essex, in which a 14-year-old boy fell to his death and his companion injured himself.

The two boys fell 45ft from the top of a big wheel ride on Thursday. The second boy was yesterday said to be "comfortable" in hospital.

## Soap war rivals set to clash again

By Diane Summers,  
Marketing Correspondent

National newspapers are being blitzed again this weekend with full-page "soap wars" advertisements, as Unilever defends its new-generation detergent, Persil Power, against last weekend's onslaught by arch-rival Procter & Gamble.

The advertisement in today's papers from Lever Brothers, UK subsidiary of the Anglo-Dutch group Unilever, is headlined "Why this aerial bombardment?" in a clear reference to Procter's com-

peting soap powder, Ariel. Last weekend Procter took advertising space to proclaim that "only Ariel washes so clean yet so safe". Persil Power was not named in the advertisements, but there was reference to the manganese-based "accelerator" which is at the centre of the row.

Unilever is promoting the accelerator as the ingredient which allows superior stain removal at lower washing temperatures. Procter says the accelerator could damage garments, causing fading and holes, and claimed in its advertisements last week that res-

duces left in clothes could continue to cause damage even if consumers switched to another brand of detergent.

Those advertisements led to a complaint to the Advertising Standards Authority, by Lever Brothers on Monday. Lever Brothers is challenging the test results quoted by Procter and disputes the claims of product superiority made for Ariel.

This weekend's Lever Brother advertisements reiterate the results of tests commissioned from independent institutes which are said to have found Persil Power

## Mothers give backing to nurseries over playgroups

By Lisa Wood,  
Labour Staff

Almost half of mothers placing their children in playgroups would have preferred them to attend a nursery school or a day nursery, according to a government survey published yesterday.

The findings of the survey by the Office of Population Censuses and Surveys will add weight to demands for greater provision of nursery education. There has been cross-party support for calls from educationalists to extend nursery provision - with Labour committed to providing education for all 3 and 4-year-olds.

The survey on the use of child day-care services in England was conducted for the

Department of Health in 1990. The aim was to find out what services were used and how satisfied parents were with them. The highest level of satisfaction was expressed by mothers of children attending nursery schools and classes.

About four out of five of all pre-school children were looked after for some part of the day by somebody other than their mother or father.

Of these about half mainly used services such as playgroups - which provide structured part-time play - nursery schools, day nurseries and childminders. The rest used informal care provided by relatives, friends or neighbours - with grandparents regarded as the most satisfactory carers in this category.

Of all pre-school children, 15 per cent attended nursery school or a day nursery and 21 per cent attended playgroups.

A greater proportion of children of lone parents were looked after by relatives, friends, neighbours and childminders than children in two-parent families.

The survey also covered schoolchildren aged under eight. Two-thirds of school children went straight home after school. The proportion decreased with age, from 73 per cent of 7-year-olds to 58 per cent of 11-year-olds. Many of these children went to somebody else's home after school.

Day Care Services for Children HMSO, £27.

## Database offered for beef exports

By Deborah Hargreaves

Computerised data about cattle auctions could provide the key to farmers trying to trace the history of their cows before they can export them, according to Mr David Jones of Newline Systems, in Newton Abbot, Devon.

Rules introduced by European Union agriculture ministers two weeks ago mean that before farmers can export carcasses to the Continent they must certify that their cattle over six months old have never been in a herd with BSE.

The difficulties involved in providing this information mean that the export market for carcass beef has effectively been closed to most farmers. This has pushed livestock prices at cattle auctions around the country down by at least 30 per cent.

Mr Jones, whose company provides a computerised system for cattle auctions, said it would not be difficult to gather information from his database on cattle transactions and merge it with other electronic auction data. This would provide a record of the bulk of cattle sales across the country.

When cattle are bought and sold their ear-tag number is recorded. Part of this number relates to the farm selling the beast. Mr Jones said it would be a fairly straightforward process to trace the history of cattle going back 10 years.

He added: "We have data from over 100 auctions in the country so we can create a fully comprehensive record of animals' movements. It would be a godsend for many farmers at the moment."

to export beef carcasses as a result of a change in the rules. Other producers, such as dairy farmers, expect a sharp fall in their profits as they are unable to export carcasses of old dairy or cull cows. Mr Jones has offered access to his database to the government so that it could be combined with the information held on BSE and offer it as a service to farmers.

Mr Jones said: "We were told that our system is two years in advance of the Ministry of Agriculture and that there was nothing they could do about it."

The agriculture ministry holds a record of BSE-affected farms but cannot release names and addresses of farmers for fear of infringing data protection laws. In addition, the ministry's computers for England, Scotland and Wales are separate, making it diffi-

cult to trace cattle that have moved between regions.

The ministry said yesterday that it was close to finding its own solution for providing more information and was preparing an announcement. It is looking into the legal implications of releasing more information from its database.

Farmers are anxious to trace their animals' histories. Mr Martin Burt, a livestock farmer in north Yorkshire, said: "It means lots of cattle can't be certified by default because we can't get the tangible evidence that they have not been in contact with BSE."

Sir David Nash, president of the National Farmers' Union, will meet Mr William Waldegrave, the agriculture minister, on Monday to press for more information and outline farmers' concerns about the new rules.



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# Oil and chemicals shore up output

By Gillian Triggs  
Economics Editor

The oil and chemical sectors have been the main drivers of growth in the UK economy over the last few months. The oil sector has benefited from a combination of factors, including a rise in the price of oil, which has led to a surge in demand for oil products. The chemical sector has also seen a strong performance, with demand for chemicals rising significantly. This has led to a surge in output for both sectors, which has helped to drive overall economic growth. The oil sector's performance has been particularly impressive, with output rising by more than 10% in the last few months. This has been a key factor in the UK's strong economic performance over the last few months.

## Lloyd's Names

The Lloyd's market has named its new chairman, who will take up his post in September. The new chairman is a former senior executive of the market, and has a wealth of experience in the insurance industry. He will be responsible for overseeing the market's operations, and ensuring that it remains a leading force in the insurance industry.

## mmmer

The market has seen a strong performance over the last few months, with demand for insurance rising significantly. This has led to a surge in output for the market, which has helped to drive overall economic growth. The market's performance has been particularly impressive, with output rising by more than 10% in the last few months. This has been a key factor in the UK's strong economic performance over the last few months.

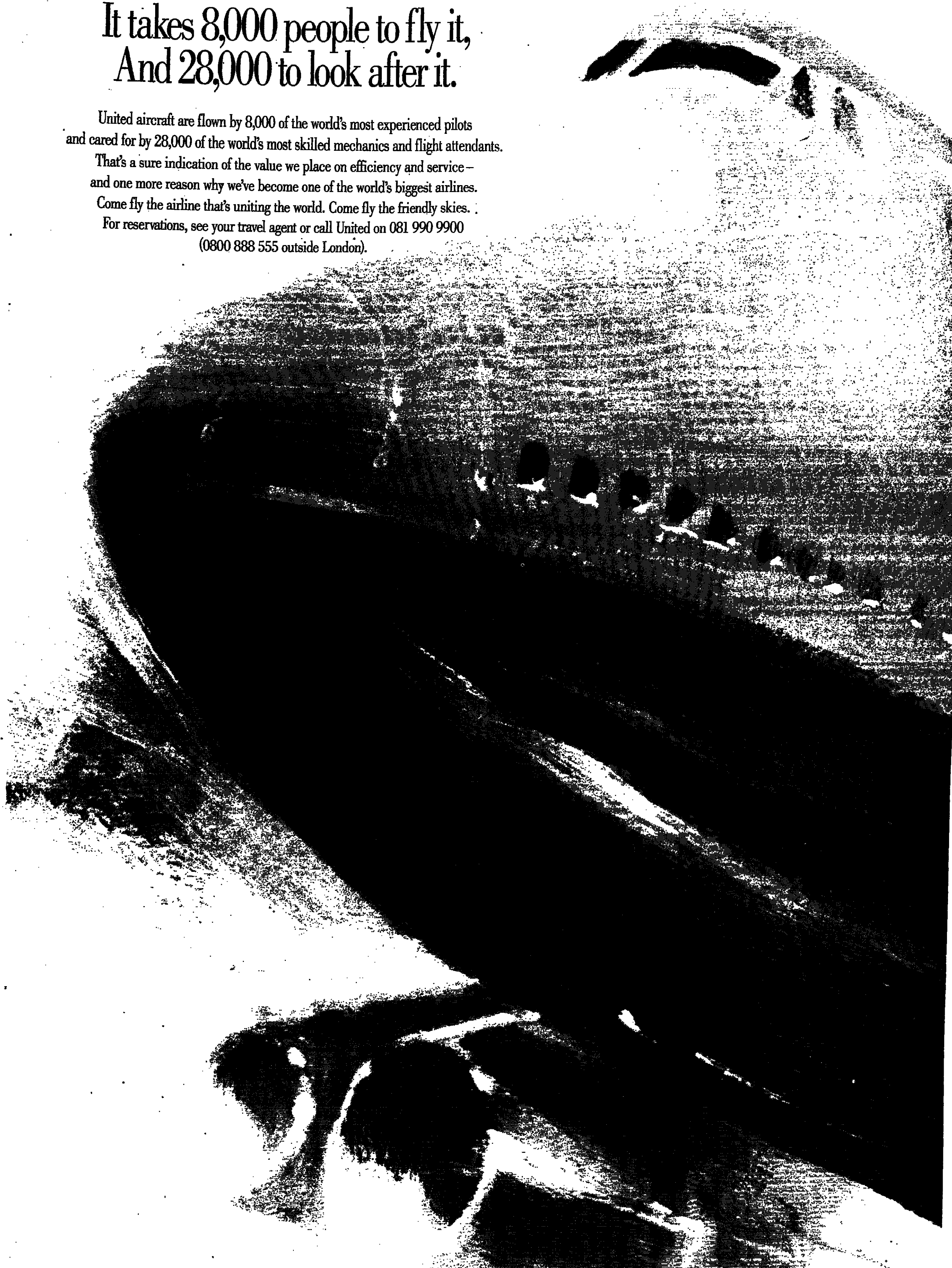
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## Not the credit crunch

There are times when the banking system appears to operate on a set of rules of its own. The present reporting season, in which the leading British clearing banks reveal their half-yearly results, provides a good example. Here is a case of an industry rejoining in the party after the hangover – an inversion of the normal sequence that may well surprise those who witnessed the credit binge of the 1980s, and the subsequent debt-induced recession. Profits are soaring when the economic recovery has yet to impress itself on many of the banks' own customers. What, it might be asked, is afoot?

The simple answer is that, in a highly cyclical business where the accountability profession captures only very imprecisely the trend of real profitability, the upsurge in profit is heavily driven by a fall in the provisions for bad debts. The more striking feature of the figures from both Lloyds and National Westminster was, in fact, the weakness of loans and advances, more than three years after the trough of the recession. They tell us that the financing of this recovery is different.

In effect, the corporate sector has been giving the banks an unprecedented wide berth. While companies normally reduce their debts during a recession, the rigour and duration of the process has been quite exceptional this time. As Barclays de Zoete Wedd Research recently pointed out, companies have now paid down debt in 10 of the last 12 quarters. Yet there has never been more than a couple of quarters of debt repayment in previous cyclical downturns.

### Exceptionally strong

Notwithstanding the repayment of debt, which amounted to a net £11.4bn to the banks in 1993 alone, industry's external funding requirement has been rising. It has been met by the financial markets. The result is that the corporate sector's balance sheet is not only looking very healthy, cash flow and profits are exceptionally strong. As the latest Bank of England Bulletin indicates, the pre-tax return on capital, excluding the North Sea sector, recovered to 8.3 per cent in 1993 – almost twice as high as in the comparable stage of the last recovery in the early 1980s.

Both banks and industry are thus awash with cash. The question is how they will deploy it. And in both cases there are difficulties in arriving at a satisfactory answer. Where industry is concerned, the obvious outlet is fixed capital investment. So far, investment has contributed less to the growth of gross domestic product in the present recovery than in

the two previous ones. Last year it grew by only 1.7 per cent compared with 2.4 per cent in the comparable year of 1992.

The Bank of England Bulletin speculates that companies have been paying down debt because they do not expect it to be eroded by inflation as in previous economic cycles. Yet this sits oddly with the fashionable concern that investment is inhibited by excessive target rates of return, which are said to reflect the authorities' failure to convince industrialists that their anti-inflationary credentials are trustworthy. Why is it that the industrialists have been so slow to climb off the fence?

### Financial housekeeping

Part of the explanation is that where balance sheets have been overstretched, good financial housekeeping has to precede big investment outlays. Another reason is that investment has anyway remained higher this time, as a percentage of GDP, than in the recession of the early 1980s. In practice investment tends to follow changes in profitability and to respond to capacity constraints. More recent figures suggest that investment in the first quarter, like consumption, has in fact been rising at an annualised rate of more than 3 per cent; and the recent CBI Industrials Trends Survey pointed to increasing capacity utilisation. Industry may be coming up with the investment goods already.

In the banks' case, the cleavers that have reported to date have provided clues as to where the cash will go. Abbey National has cut its overdraft lending rates. Past experience suggests that if others follow this could reduce the overall profitability of retail banking to the benefit of the consumer. Lloyds is still expecting to see a reduction in capital and cash flow if its plans to acquire the Cheltenham & Gloucester Building Society go ahead. National Westminster, meantime, has declared that it will respond to price cutting by its rivals to maintain market share.

There is no more effective way to reduce profits and cash flow than to engage in all-out competition in a mature industry. Yet the precise form of the competition is not easy to predict when the corporate sector appears to have little use for short-term variable rate bank money. It might just be that the banks' personal customers, who have been so heavily squeezed while the banks were restoring the hole in their balance sheets after the last binge, are due for a pleasant surprise: a modest but enjoyable party without a hangover. Stranger things have happened.

The UK rail strike, about to enter its ninth week, is more than a conflict over the pay of a few thousand signalling staff. It is a struggle over the future of the railways that could derail the government's plans to privatise British Rail.

The likelihood that the strike would spread diminished with the announcement on Thursday that supervisors had voted not to join the action. Their efforts, combined with those of non-striking signallers, have allowed British Rail to run an increasing number of services on strike days.

But the stoppages have revealed the vulnerability of the companies that will run trains after privatisation to action by small groups of workers. It is not clear at present just how much compensation they will be entitled to if the trains are brought to a standstill.

As a result the companies look much less attractive to potential bidders for train-operating franchises and to their backers. The strikes have been a "death blow" to privatisation, says Mr Roger Brooke, chairman of Candover, the venture capital group which had expressed interest in backing bids. "I think they have killed it stone dead," he says.

And an adviser to the government involved in the privatisation process admits that the dispute will have deterred a lot of bidders. "The general effect of the action must be to make what is a difficult privatisation even more difficult to pull off," he says.

This will be music to the ears of Mr Jimmy Knapp, general secretary of the RMT, who laid out the union's battle-plans on privatisation in a briefing on March 24, just days before the process began. He warned that the railways faced a summer of disruption, with five issues which could provoke strikes, overtime bans and work-to-rules. "Trouble is going to break out if British Rail do not come to terms with us," he said. "There is a genuine fear of the future among my members."

The first issue was over the terms for transferring BR staff to Railtrack, the company set up on April 1 to run the track and signalling operations.

The union complained this would mean staff would no longer be able to move from one job to another across the railway network. The RMT balloted the staff over strike action but to the union's disappointment the members rejected the call by a decisive majority.

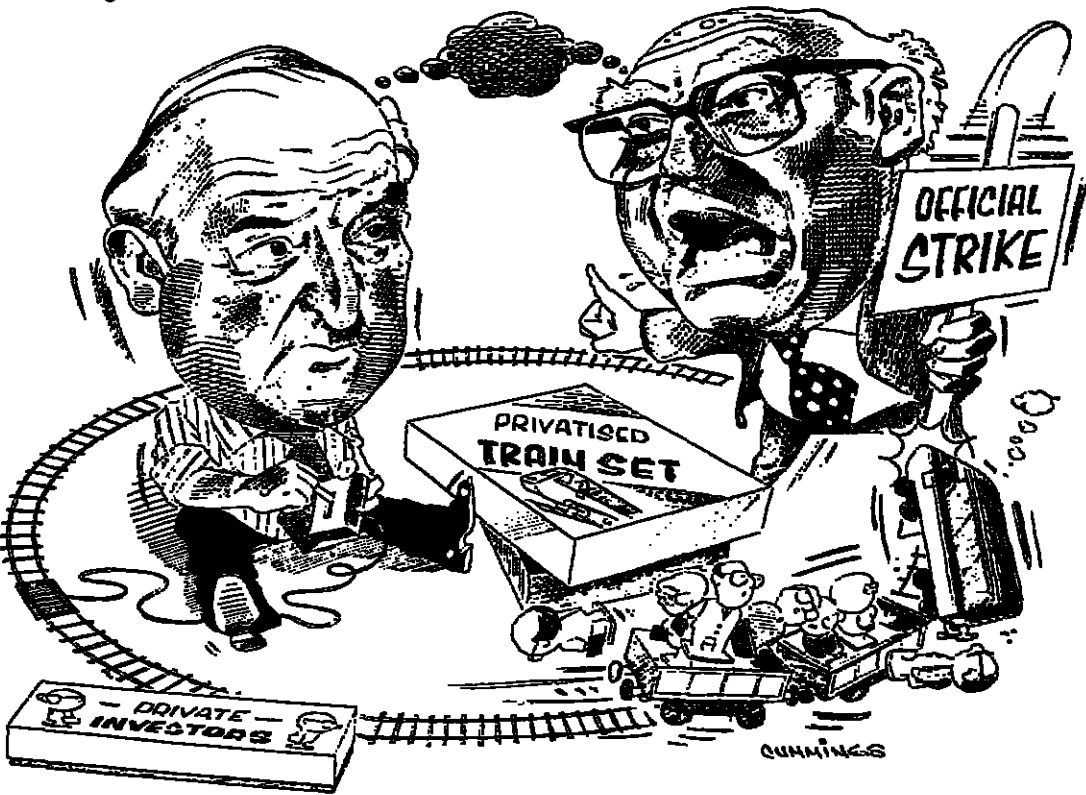
The second potential source of trouble on Mr Knapp's list was the pay of signalling staff – the issue behind the current dispute. The long-standing grievances of the signallers had come to a head with BR's rejection of the union's interim pay claim of an 11 per cent increase as a reward for productivity improvements. The union balloted the staff, securing a four-to-one majority in favour of action on an 80 per cent turnout.

In pursuing its demands, the union has been helped by the behaviour of Railtrack and the government. Railtrack's board – led by the abrasive Mr Bob Horton, former chairman of BP – is largely new to the rail industry. It has failed to win the hearts and minds of the signalling staff or, if opinion polls are to be believed, the public.

Railtrack's shortcomings have been compounded by the transport department's intervention to veto a 5.7 per cent interim pay deal linked to past productivity improvements. The offer was not a breach of the

# A funny way to sell a railway

The UK rail strike has made privatisation of the system more difficult to pull off, say Robert Taylor and John Willman



government's public sector pay freeze but an attempt to prepare the ground for restructuring the often archaic working practices of signalling staff.

By intervening, the government not only prolonged a dispute that might otherwise have stopped short of strike action. It has helped draw attention to weaknesses in its privatisation plans that could yet derail the sell-off.

The government's plans involve breaking British Rail into some 40 independent businesses and selling

**The stoppages have revealed the vulnerability of the companies that will run trains after privatisation**

them off. The infrastructure of track and signals has been separated from the operation of trains, and passenger services split into 25 companies to be franchised out to private operators.

The structure is designed to allow for the possibility of running competitive services over the same tracks. However, a consequence of the separation of track and trains is that train-operating companies will have to pay track charges to Railtrack under the watchful eye of a regulator. This will leave them with direct control of only half their running costs.

Being able to control just part of the cost-base is one reason why Badgerline, a bus company that was one of the first companies to declare an interest in running trains, has now cooled towards the idea. The dispute, leading to losses for the train operators which cannot run their services, has highlighted the dangers, according to Mr Philip Snowden, a director of the company.

"If we were to make a bid for a franchise, we would want suitable protection against the sort of losses that the train operators are currently incurring," he says.

Candover's Mr Brooke says that the strike has shown how disputes in one part of the rail system can affect the finances of the train-operating companies.

"It's not just Railtrack," he says. "What happens if ScotRail goes on strike? The English train-operating companies would lose revenue from passengers travelling to and from Scotland."

"With the rail unions still in an antediluvian age, they can pick off one or two companies and damage all the others."

"Unless the train operators can send everyone home on no pay when they can't run trains in such circumstances, it will seriously diminish interest in investing."

Mr Chris Green, director of ScotRail, one of the first six passenger franchises to be auctioned, says that the strike has been a "chastening experience". He is running the company as a "shadow" franchise in preparation for privatisation and

hopes to lead a management buy-out.

"The point of shadow franchises is to get experience of running trains under the new arrangements," he says. "This has been an unexpected experience in cash-flow management. We are currently haemorrhaging cash at a rate of £300,000 for each strike day. We can recover costs from Railtrack for the trains we don't run. But we get no compensation for losses on lines that do run, or for loss of business long-term."

**'If I were considering investing in Railtrack, I'd be interested in seeing what compensation train operators get'**

His solution would be for some sort of collective insurance policy, under which train operators would be compensated from a central fund for losses incurred because of disruption to one part of the network.

Potential investors in Railtrack – which Mr Horton would like to see as an early candidate for privatisation – will be equally nervous about the consequences of strikes.

"If I were considering investing in Railtrack, I'd be terribly interested in seeing what sort of compensation the train operators will get from the company," says a venture capitalist who is considering getting involved.

"The balance of risk looks pretty one-sided in Railtrack's favour at the moment, but that may not last."

One businessman who says that he is not fazed by the current dispute is Lord Sterling, chairman of P&O, the shipping company, who is keen to acquire BR's Freightliner business.

"I think we'll look back on this as a blip in the process of change," he told BBC Radio 4's Today programme this week. "Both the workforce and management have got to be much more flexible in the years to come."

"Frankly, nothing in my view is going to stop the revitalisation of the railway system in this country. I think the rail strike has heightened people's interest as to what the railway system can really produce for this country."

But most people in the industry – or thinking of entering it – will agree with Sir Bob Reid, BR chairman, when he warned that continuing conflict on the railways would "devastate the industry and the livelihoods of those who work in it".

For the RMT, the stakes are equally high. Other unions in recent years – have been all but wrecked by resistance to change. Mr Knapp and his colleagues recognise the risks involved in a fight to the finish for the signalling staff.

Over the years, the union has been able to block efforts to modernise working practices on the railways. Avoiding trouble was often the preferred BR option in dealing with archaic working practices.

But privatisation looks set to change this, with a more entrepreneurial attitude to the management of the railways already apparent. Railtrack, for example, will buy in engineering services from the private sector rather than employ thousands of staff to maintain track and signalling. The train-operating companies are expected to root out inefficiencies and look for more flexibility in working practices.

Changes such as these threaten RMT's membership base at a time when the union is in deep financial trouble. After a previous dispute, BR ended the check-off arrangement which collected union dues direct from the pay packets of rail workers. Its membership has fallen sharply in the past two years from more than 100,000 to about 60,000. The union is running a £2m deficit on its current account for the second successive year and is having to make painful cuts in its operations.

One option would be for the union to show greater willingness to come to terms with privatisation. Unions in other privatised industries such as gas, water and electricity have reached agreements with the new employers to reform working practices in return for better terms and conditions.

But the RMT appears to have chosen the alternative of trying to block change. It has already secured a promise from Labour that the railway network will be returned to state ownership if the party wins the next general election. "Our commitment to take the network back into public ownership is absolute," said the party's transport spokesman Mr Frank Dobson yesterday.

It may be that the failure of the supervisors' ballot to produce a strike vote heralds a realisation among rail staff that opposition to privatisation is ultimately doomed. But there remain plenty of opportunities for investors to be reminded of the vulnerability of the railways to costly disruption under the new arrangements.

## MAN IN THE NEWS: Chief Moshood Abiola

# Lawful leadership and legendary favours

Chief M.K.O. Abiola – Anytime, said the appointment book in the guard-house to the Nigerian president's compound. That was three years ago. The wheel of fortune has since taken a dramatic turn.

Moshood Kashimawo Olawale Abiola, the man who once enjoyed instant access to the presidency, ended up in jail, charged with treason. Last night, however, in an attempt to defuse the country's deepening crisis, the government offered to set Chief Abiola free on bail, aware that his fate could determine the future of Africa's most populous nation.

The pressure had been intense: strikers demanding his release had cut vital oil exports by a fifth since their action began four weeks ago. A national strike had been called for Monday if the military government did not comply.

It is still far from clear, however, as to how the crisis will ultimately be resolved, for the military government does not seem prepared to step down and Chief Abiola is unlikely to surrender his claim to be head of state. He won the June 1993 presidential elections only for Nigeria's military rulers to declare the contest void.

To his supporters, the 58-year-old tribal chief, millionaire businessman, newspaper magnate, airline owner, philanthropist and father of 53 children is a valiant standard-bearer of democracy.

Yet to Chief Abiola's critics, he personifies the weaknesses of the nation he wants to lead. They see him as gripped by delusions of grandeur, his judgment distorted by a vanity that encourages him to distribute signed copies of a hagiography entitled *Legend of Our Time: The Thoughts of M.K.O. Abiola*.

His current status owes less to democracy, they argue, than to the chief's shrewd political timing, only entering the presidential race when other contestants had been banned by the man he saw as his patron – General Babangida.

When the general seized power in

1986, he promised a return to civilian rule – but on his terms. The 13 parties that sprang up in the late 1980s were banned. The reason, said Gen Babangida, was that they were ethnically based, competing for support of the Hausa Fulani of the Moslem north, the Yoruba of the Christian south, and the Igbo of the east. In their place Gen Babangida created the Nigerian Republican Congress and the Social Democratic party, their manifestos written by government officials.

Chief Abiola, who had served as a senator in the last civilian administration in the 1970s, stayed on the sidelines in the late 1980s. Politics was a costly business in Nigeria, he explained in an interview: so many cars to buy, offices to be established, and favours to dispense. But there was more to his decision: it was all too risky, the process too uncertain, he hinted.

It was a shrewd appraisal. Not long after that interview, Gen Babangida changed the rules again. All 13 candidates seeking presidential nominations by the two parties were banned for alleged electoral malpractices. Only then did M.K.O. Abiola, as he is widely known, make his move for the presidency.

He was not short of funds. His personal fortune, estimated to be multi-millions of dollars, had been built up during a business career with International Telephones and Telecommunications (ITT), the US communications giant. But it had required determination to acquire the skills that brought such wealth.

Born in 1937 in Abeokuta, an hour's drive from Lagos, he was his father's 23rd child and the first to survive. The rest died at birth or before they reached their first birthday. A Nigerian government scholarship took him to Glasgow Univer-



sity in 1961 to study accountancy. His break came in 1968, when he joined ITT as finance controller.

Quite how the chief became so rich has been subject of much speculation. "He used his connections with friends in government, among them the late General Murtala Muhammed [Nigeria's military leader in the mid 1970s], to win key business concessions for ITT," is how a chapter in *Legend of Our Time* puts it.

These "connections" paid off, it seems, during the 1970s, when the rapid expansion of Nigeria's oil industry funded the country's multi-billion telecommunications programmes and ITT (Nigeria) flourished.

By the time Chief Abiola finally entered the political arena, the electoral process initiated by Gen Babangida had been widely discredited,

but with ample funds and with the general's blessing, the chief seemed well placed to win the presidential election set for last year.

He managed to straddle the regional, ethnic and religious divisions: as a Yoruba, he could expect solid support from his kinsfolk in the south; as a Moslem, he could appeal to the Hausa Fulani north.

According to leaked unofficial figures, he won the June 1993 election comfortably, with 56 per cent of the vote, only to have it snatched away by Gen Babangida himself.

In the weeks that followed, his relations with the military government deteriorated to such a point that the chief felt that his life was in danger. He fled the country for London in his private jet.

At breakfast in London's Savoy Hotel almost a year ago, Chief Abiola still seemed stunned by the turn

of events, yet confident that one day he would win the presidency.

Of his betrayal by Gen Babangida, personal as well as political, he said hardly a word. Gen Babangida, by then replaced by Nigeria's current military leader, General Sani Abacha, had been more than a patron. He had led the mourners at the funeral of the chief's wife. One of the chief's sons was mourning one of the general's daughters.

The reason for the betrayal remains a mystery. "Babangida is still a family friend," said the chief, refusing to say more.

Meanwhile at home he was criticised by supporters for deserting the democratic cause. Perhaps stung by the attacks, he returned to Nigeria, and in an act of defiance which set him on a collision course with the military, announced that he was Nigeria's only lawful leader. He was arrested last month.

Chief Abiola's views on how Nigeria may recover from its economic crisis have been buried in the controversy that has gripped the country: his support for privatisation, the need for an agricultural revival, the importance of the private sector – all set out in his book.

In the 15 months since his election victory, strains have intensified in a country gripped by an economic crisis. Ethnic and regional tensions mount by the day, as illustrated by the recent strikes which paralysed the Yoruba heartland around Lagos, but have been poorly supported in the north.

The conditional offer to release Chief Abiola last night suggests the military leaders are trying to pull back from a confrontation that had seemed inevitable. But the real test is yet to come for a country that likes to call itself Africa's giant: since independence in 1960, Nigeria has been led by men not equal to the responsibility. This week 90m Nigerians will be hoping that Chief Abiola and Gen Abacha are capable of finding the compromise necessary to break with this tradition.

Michael Holman

## Rwanda Crisis Appeal

Over a million people have fled war-torn Rwanda to neighbouring Zaire. Their lives hang in the balance.

Oxfam is already there – bringing life-saving supplies to these refugees. But unless we act now to get more emergency stocks to Goma, thousands will soon die of hunger and disease.

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## With beef farmers and fishermen up in arms, are EU rules turning the continent animal crackers?

### Sour taste of beef stew

Britain's beef farmers are in disarray. Prices for cows at livestock auctions have plummeted, producers face hefty falls in their profits, abattoirs are running out of supplies. Radical change may be the only way for the industry to survive.

The cause of the upheaval is the decision by European agriculture ministers to impose new restrictions on UK exports of carcass beef - the bulk of beef exports to continental Europe - in order to crack down on "mad cow disease".

The rules ban the export of carcasses of any animal over six months old unless they come from herds certified free of the disease, bovine spongiform encephalopathy (BSE), for six years. Until last week, animals had come from herds that had been free of the disease for only two years.

The tightening of export rules has hit most dairy farmers hard as, in effect, it halts the export of cull cows - old dairy cows that have finished their productive life and are slaughtered, mainly for processing into meat pies, sausages and ready-made meals.

Last year, exports of carcasses from old dairy cows accounted for some 75,000 tonnes of Britain's 123,000 tonnes of beef exports to the European Union, with France taking about 70 per cent of the beef for deboning in its own plants. Total British beef production last year was 877,000 tonnes.

The government reckons that more than half of Britain's dairy herds have been affected by BSE. As a consequence, the change in regulations has forced down prices at livestock markets by 30 per cent or more. Mr John Glanville, a dairy farmer near Exeter, says that is equivalent to a drop in price of about £150 a cow.

Mr Hugh Black, a dairy farmer near Leominster, Herefordshire, who has lost 25 cows from his herd of 140 to BSE in the past few years, believes cows he sells this year will be worth £12,000 less as a result of the price drop. "This will come right off the bottom line," he said. "It could knock 20 per cent off our profits."

The financial effect across



Double whammy: prices for cows at auctions have plummeted. So too have producers' profits

the industry is likely to be significant, but the National Farmers' Union says it is too soon to quantify.

"There is a great deal of uncertainty and concern throughout the industry and the only way to get around that is an administrative hassle," said Sir David Naish, president of the National Farmers' Union.

Sir David is referring to the problem faced by farmers if they want to provide a certificate stating their cow has not been in a herd affected by BSE over the past six years. Only with this certificate can farmers send carcasses for export.

The Ministry of Agriculture record herds which are affected by BSE but because of data protection rules cannot release the names and addresses of farmers. That means a considerable bureaucratic effort is required to trace every home of each animal. "It's an unbelievable administrative burden. All you have is an ear tag with the cow's number on it, but nowhere to start to find out where it's been," said Mr Martin Burt, a livestock farmer in North Yorkshire.

Sir David will meet Mr William Waldegrave, the agriculture minister, on Monday to press him to release more information from the register of BSE herds. Mr Waldegrave has had cases of BSE on his own Somerset dairy farm and appreciates farmers' feelings. But he warns the trade is in for "an uncomfortable transition".

**'There is a great deal of uncertainty and concern throughout the industry'**

That shift is likely to be significant while the industry struggles to bring on stream capacity for deboning beef in the UK. This would enable it to redirect its marketing effort towards selling boneless beef abroad. Deboned beef has tissues such as the brain, spinal cord and spleen removed - the organs which could pose a risk, however remote, to human health, according to the agriculture minister.

Some abattoirs do not have deboning facilities and others say they have little spare capacity. But Anglo Dutch Meats at Eastbourne, one of the UK's largest beef deboning plants, believes the change to exports of deboned beef could be achieved reasonably quickly.

Mr Nik Askaroff, managing director, said the company, which processes 15,000 tonnes of beef a year, has had more than 15 inquiries from continental European traders willing to buy UK carcasses and have them deboned before they leave the country. "At the moment we run only one shift," he said. "We could double our capacity in a fairly short time and nearly treble it within a year."

The farmers' union wants the government to apply for EU aid for farmers to store beef carcasses over the next couple of months while UK boning capacity is increased. But the union agrees that the farmers have to launch a marketing drive to increase sales of bone-

less beef abroad - otherwise they risk a glut in the UK.

Farmers, meanwhile, are worried that any glut of boned beef - or carcasses - will be exacerbated by the effect of the tighter export restrictions on consumer confidence in the UK, just when they believed they were winning the war of words against BSE. The incidence of BSE peaked at the start of 1993, but declined by 23 per cent in the first six months of this year.

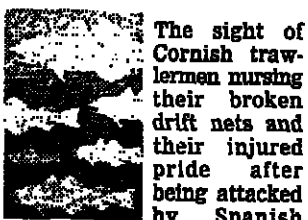
The Meat and Livestock Commission, the marketing organisation, says some reports from butchers have indicated a drop in beef purchases, but it is not yet clear if this is in response to renewed fears over BSE or the hot weather encouraging people to eat salads.

Mr Ken Cork, a butcher in Farnham, Surrey, said: "It's definitely affected us: we've had lots of inquiries about whether the beef is safe or not and although you try to reassure people, it's difficult to convince them 100 per cent."

So far, retail prices have been affected little by the slump in cattle prices at auction, but Mr Cork expects to pay less for his wholesale supplies next week. That might feed through into lower prices for the consumer.

If the British beef industry fails to develop overseas markets for boneless beef, it could be the domestic shopper who benefits by seeing prices fall. Farmers may not like it, but carnivores will not be.

**Deborah Hargreaves and Alison Maitland**



The sight of Cornish trawlermen nursing their broken drift nets and their injured pride after being attacked by Spanish tuna fishermen this week, has increased British fishing organisations. But the escalating "tuna war" is not an isolated outbreak: it causes strife at the heart of the European Union's common fishing and conservation policies.

The reason for the clash lies in the distinctive fishing methods employed by Spain and other European Union fleets. Spanish fishermen use baited lines to land their tuna, as they have been doing for generations. In the late 1980s, the UK, France, Ireland and other EU countries began to invest in large trawlers with nets stretching towards the horizon.

Spain's Galician and Basque country fishermen whom the British trawlermen have described as a "wolf pack", are threatening to go on the attack again if they spot EU vessels using long drift nets in the Bay of Biscay.

"Of course we don't condone violent action," said Mr Rafael Conde, director-general of fishing resources at Madrid's Agriculture and Fisheries ministry yesterday. "But the attacks are not the problem, they are the symptoms of the problem."

The Spanish government alleges that the real irritant is the systematic abuse by the UK, French and Irish fleets of the 2.5km limit imposed by the EU on the length of drift nets. Their suspicions appeared to be confirmed yesterday when a Royal Navy ship seized fishing gear from a Cornish trawler suspected of flouting the rules on net size.

The Spanish authorities, which use satellite equipment to measure the length from the bow of a trawler to the bows marking the end of the drift net, insist there is persistent flouting of the EU's rules.

The European Commission agrees with the Spanish that the rules are often broken and, in April, called on governments whose fishermen use drift nets to step up their monitoring procedures. The Commission says it drew particular attention to the tuna area which is such a long way from shore it is harder to police.

"Happily no one has been killed so far and that is what we feared would happen," said a Commission official of the latest dispute. "But at least

### Drifting into a tangled net



Hot water: Fisherman Russell Pawley, victim of a Spanish attack

this incident has forced member states to take the issue of policing more seriously."

Four EU inspectors have gone to the Bay of Biscay to monitor the measuring of drift nets by patrol boats from countries fishing in the area. A fifth is on his way to the site of the current dispute in Spain.

Madrid wants the EU to ban drift nets altogether, but in the meantime is urging Brussels to ensure that each member country strictly enforces the limitation on the lengths of the drift nets used by their fleets.

The Commission is sympathetic to Spain's plea for a ban on the nets, and has asked EU fishing ministers to consider phasing them out on environmental grounds. Last year 1,000 dolphins were caught in the nets as well as thousands of other smaller fish.

EU ministers have so far failed to reach a consensus on banning the nets, which allow fishermen to increase their catch. A trawler using such nets can land about 105 tonnes of tuna in the June-August season in the Bay of Biscay against the average 35 tonnes that the smaller Spanish vessels catch using lines. The 700 ships that make up Spain's

tuna fleet caught 25,000 tonnes of fish last year, while the 60 trawlers of the French fleet, the next largest in the EU, caught 6,300 tonnes.

The emotional argument over drift nets and policing masks the real concern in Europe over dwindling fishing stocks and common access by all fishermen to each country's waters. "As long as you have fishermen, you will have disputes of this nature, not because they are genetically different, but because you don't have clearly defined property rights in the sea," said one Commission official.

British fishermen are angry because they feel they have been pushed out of UK waters by quotas imposed on their catch of white fish such as cod, and competition from other nations' fishing boats.

Mr David Pessell, chairman of the Plymouth Trawler Owners' Association, says his fleet used to catch 66 per cent of its fish in British territorial waters, up to 200km from shore, 20 years ago - that figure has fallen to 13 per cent. "The boats from Newlyn and Mevagissey in Cornwall have been targeting the tuna for the past year because it's very lucrative for

them and there's not much left for them to fish here," he said. The EU so far imposes no quotas on the tuna catch of any member state, but this may change if recent scientific evidence of a drop in tuna numbers is corroborated.

Last year the scientific committee for the ICCAT, an international committee based in Madrid that monitors the conservation of Atlantic tuna, warned that the use of drift nets had, for the first time, clearly begun to deplete the tuna population.

The scientists also noted what the fishermen know only to well: the tuna, which migrate from south of the Azores towards the Bay of Biscay in early summer, were staying further and further away from the coast. Some of the main banks of fish are now to be found up to 800km offshore. "The tuna isn't *tomato* [stupid]," says Mr Conde. "We're dealing with a smart fish who every year will try and avoid the drift nets."

The Spanish tuna catchers say their method of fishing with lines is more environmentally sound as they do not hook dolphins, an argument supported by Greenpeace, the environmental organisation. Its Rainbow Warrior vessel was also on the look-out for illegal drift nets.

The British have tried to get round the problem by opening up "dolphin doors" in their nets to enable the larger creatures to escape. "There is a lot of scaremongering going on, but we are genuinely and seriously interested in conservation," said Mr Pessell.

While this week's row may be solved by stepping up monitoring procedures, it is nevertheless a further step in the disillusionment of UK fishermen with the EU's common fishing policy. Some are backing a campaign to abandon the policy and regain control of the UK's own territorial waters.

"I'm a good European, but the management of fishing policy has been appalling. Fishermen in this country face going the same way as the coal and steel industries," said Mr Pessell. But he says, ignoring EU fishing policy is a solution unlikely to find favour with the UK government. More fish wars could be imminent.

**Tom Burns and Deborah Hargreaves**

August in Japan is the month for remembering. This morning, at 8.15 in the Peace Memorial Park in Hiroshima, the nation's leaders will gather across the river from the monument marking the spot where the A-bomb exploded, to commemorate the precise moment 49 years ago when the "black rain" fell. There will be solemn speeches restating Japan's renunciation of war for ever.

Nine days later, 500 miles away in central Tokyo, there will be a rather different ceremony. At the Yasukuni shrine in the heart of the capital, on the 49th anniversary of the Japanese surrender, another group of dignitaries will pray before the Shinto deities of the nation's war dead.

But the devotees at Yasukuni will be stirring a political controversy. For the shrine is not simply Japan's Cenotaph, or Arlington Cemetery. It is the resting place of the souls of all those who died defending the mother country - ordinary soldiers, but also kamikaze pilots, officers who oversaw the construction of the Burma railroad, and Class A war criminals executed by the Allies.

At first sight, the two ceremonies seem very different. Hiroshima is an official event, supported by socialists, liberals, conservatives. They will be attended by pipes of peace and the mood will be reflective. At Yasukuni, rightwing politicians, including half the current cabinet, and war veterans will be watched by shaven-headed youths in military regalia. Buses sporting the Imperial Rising Sun flag will fill the air with noxious black smoke and broadcast rightwing propaganda.

In fact, though, the two are related. Both represent the selectivity of Japan's historical memory. Hiroshima presents Japan as the victim of the "worst atrocity of the century", blotting out its crimes; Yasukuni commemorates the heroism of the men who died, blotting out the evil deeds of many enlisted there. Neither acknowledges Japan's guilt.

This selective amnesia has been in evidence since the war. Japan has never felt nor expressed the contrition of Germany. No Japanese prime minister has ever fallen to his knees in remorse as German Chancellor Willy Brandt did in the Warsaw ghetto in 1970. For years, this amnesia, though condemned by the rest of the world, was largely indulged by the west. While the cold war continued, Japan's role as the one friendly unarmed nation in the hostile east seemed almost to exonerate the historical offence.

But in the post-cold war world, Japan is edging towards a global role. In the past year, the prospect of a permanent seat on the UN Security Council has moved within sight. The Socialist party of Prime Minister Tomichi Murayama has, in the last month, ended its opposition to Japan having any military capability. Japanese

troops have been involved in UN peace-keeping efforts in Cambodia. Most importantly, Japan increasingly sees itself as providing leadership in Asia.

This last trend is forcing a gradual change in Japan's official version of history. For many Asian countries - the principal victims of Japan's war - Japan cannot assume a regional political role until that change is complete. As Mr Haruki Wada, professor of history at Tokyo University, puts it: "Japan will never have normal relations with its Asian neighbours as long as it continues to try to hide its past."

A test of Japan's capacity for self-analysis will come next year when the country marks the 50th anniversaries of Hiroshima, Nagasaki and the surrender.

But a step towards re-examining its history has already been made. Elections last year swept away 40 years of Liberal Democratic party rule and appeared to herald the first significant change in Japan's official attitude to its history. Mr Ichiro Ozawa, the leading architect of political reform, said at the time: "We cannot deny the part aggression has played in our history in Asia."

But Japan's leaders have failed to fol-

## Right, proper and perplexed

Japan is struggling to reconcile conflicting views of its history, says Gerard Baker



Military occupation: Japanese soldiers on Hainan island, off China's coast, in 1939

low up words with actions. For example, "comfort women", the thousands of Korean and other women forced to provide sex for Japanese soldiers, continue to press without success for compensation.

Many Japanese see no need for Japan to feel remorse. They argue that their fight was honourable, scarred by no more than the usual brutality of war. Some go further. In a newspaper article in April, Mr Shigeto Nagano, Japan's justice minister

who is himself a 70-year-old war veteran, described accounts of the 1937 Nanjing massacre where Japanese soldiers murdered tens, perhaps hundreds, of thousands of Chinese civilians as a "hoax".

After a few days' embarrassed silence from the government, Mr Nagano was forced to resign. But he maintains his views represent those of most Japanese. He does not see the war in terms of aggression. "Japan fought to liberate

Asia. In some ways, it could be said we did liberate Asia - look what happened to India and Burma after the war," he says.

He is on far less controversial ground when he explains the problem for Japan in dealing with its past. Unlike Germany, he says, Japan has not been able to cut itself off from events of 50 years ago. The postwar constitution reflected the Allies' desire to maintain continuity in Japan to avoid complete disintegration. So the emperor was left in place.

This continuity has led, most crucially, to weaknesses in the education system. For decades, Japanese school-books glossed over much of Japan's war record.

But in the last few months, small victories have been won on the path to openness. Last year, the supreme court ruled that government attempts to censor history textbooks were illegal - a decision against which the education ministry has not appealed. This summer, a school history curriculum came into effect in high schools which, for the first time, describes Japan's war as one of aggression.

The scale of the task of re-educating the Japanese is illustrated by one of Japan's best-selling computer games. Decision of the Commander, which re-enacts Japan's attack on Pearl Harbour and the invasion of Asia. The players assume the positions of imperial commanders, and use forced labour to fortify their positions. The software caused a furore when it was launched in 1989, but has sold more than 100,000 copies. Its author, 24-year-old Mr Ryohel Tanaka, says: "The game was produced from the perspective of the aggressors, and the Japanese are enjoying it."

### CGT exemption would encourage savings on rights issue underwriting

From Dr J R F Fairbrother.

Sir, When companies issue new equity, the size of the discount to market price is not important to them or their existing shareholders, provided the equity is offered to the existing shareholders first. In effect, those shareholders can capture the discount, either by subscribing for the new shares or by selling their rights to do so.

Pre-emption rights are thus an important protection for all shareholders, not just the "big City battalions" (Lex: "Underwriting fees", August 1).

It may well be, however, that underwriting fees are, at least on the basis of any technical analysis, too high for an issue at a substantial discount, where the existing shareholders effectively guarantee the company receives its money in order to avoid dilution.

If so, it is a puzzle that, in the UK market, companies rarely issue equity at very deep discounts and dispense entirely with underwriting

costs. The reasons for this are not totally clear and may primarily be a question of market practice and investor perception.

There is also the difficult choice which faces small shareholders between writing a cheque to subscribe for new equity or having to pay capital gains tax on the sale of their rights.

Perhaps the Treasury and the Office of Fair Trading should consider the possibility of exempting the sale of rights from CGT and encouraging some large companies to make modest issues of non-underwritten equity at a deep discount.

This might establish such a method of raising new equity as an acceptable alternative and would ensure that companies only paid underwriting fees if they felt they were obtaining good value.

J R F Fairbrother, *Senior Lecturer, Trinity College, Cambridge CB2 1TQ*

### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Bank attitude not helpful to industry

From Mr Peter H Quinn.

Sir, You reported the Bank of England criticising industry for seeking high rates of return on investment ("Bank sounds warning on lack of investment", August 1). You also reported, in splendid juxtaposition, the fear of an early rise in interest rates ("Anxious wait for City on rates").

Those with even quite short memories will remember the official exhortations to industry six or seven years ago to increase capacity. Building materials suppliers were especially criticised for lack of

manufacturing capacity, and the size of the import-export trade gap. But pity building material manufacturers whose unwisely responded to those appeals. Many of the investments were not even completed before the government imposed a slump on the building industry and its need for building materials. Other new capacity was closed or moth-balled long before making a pay-back. As a consequence many building materials share prices are lower today than they were seven years ago.

Inflation is not the sole con-

cern when making an investment decision. In the past, inflation has masked many poor investment decisions, particularly in property investment. It is more important to have stability of the market place and interest rates. There must be demand to utilise the new capacity, and there must be a margin over interest rates to service capital.

Is it beyond the intellectual capacity of the Bank of England to understand that, when it constantly threatens to increase interest rates to prevent a rise in inflation, it con-

stantly reminds industry of the need to assume higher interest rates when assessing rates of return on new investment? The Bank's own performance hardly inspires confidence, with the confusion caused by the new issue of Treasury bills last Friday as an example.

Can we hope that the Bank of England will cease posturing and try to provide some constructive help to regenerate industry?

Peter H Quinn, *Dog House, Leamington, Buckinghamshire HP5 1UQ*

### Predictive value of references not all that it is claimed to be

From Alexander Wedderburn.

Sir, Richard Donkin, on the predictive value of references (Management, August 3), quotes the director general of the Institute of Personnel and Development as saying: "The

best predictor you can get of the likely success of a candidate is how they performed in their previous jobs... It is better than the interview, the psychometric test and all the other devices."

This is highly misleading. "How they performed" would be wonderful if you could find out, but references can be glowing to get rid of the unwanted (and the opposite). Research has found that refer-

ences are well below psychometric tests on average, and at about the same pathetic level as the average interview. Zander Wedderburn, *7 Lemax Street, Edinburgh EH4 1QB*

### Lloyd's: a callous act

From Mr J F Finlay.

Sir, Members of the Names Defence Association are like other embattled and worried Lloyd's Names. They are honourable people who will meet their legal and contractual obligations and who will pay their legal debts to the limit of their abilities. Material breaches of contracts can and have been made by persons at Lloyd's other than Names. Before Lloyd's can expect to collect its debts, it will have to prove them in court. There is considerable reason now to

believe that it will be unable to do so.

Calling in debt collectors will accomplish nothing ("Lloyd's set to hire debt collectors to chase Names", August 5). It is a callous and shameless act to terrify thousands of scared and innocent victims. It is a personally demeaning gesture by Mr David Rowland, the chairman of Lloyd's, and it will rebound to the detriment of that once great institution.

J F Finlay, chairman, *Names Defence Association, Great Missenden, Bucks*

### No way to make people think

From Mr Stephen Schick.

Sir, Nigel Spirey's defence of terrorist activities by animal rights fanatics ("Such woolly ideas", July 30/31) is extraordinarily naive. He informs us that "one has to feel grateful for the occasional arson attack... They rightly make us think". Extreme animal rights groups do not seek to make people think. They use bombs to maintain human beings and arson attacks to coerce organisations to follow their

views. People who conduct medical research on animals, or those who responsibly run zoos, are not thoughtless or evil; they believe their work to be morally justified.

Unfortunately their views are rarely heard amid the deluge of fashionable animal rights propaganda. Should we also be grateful to the IRA for "making us think"? Stephen Schick, *Garden Flat, 34 Tide Street, London SW3 4JA*



## COMPANY NEWS: UK

# Great Southern in talks over third party bid

By Bernard Simon in Toronto

Loewen Group, a Vancouver-based funeral home and cemetery operator, disclosed yesterday that it had been approached by Great Southern Group to help fend off an unwelcome takeover bid from Service Corporation International of the US.

Loewen is SCI's main rival in North America. It operates more than 600 funeral homes and 95 cemeteries across the US, Canada, Puerto Rico and Mexico.

SCI has made a \$99.1m tender offer for Great Southern, but has so far been rebuffed by members of the Field family

who control the UK funeral company.

Loewen said yesterday that it "has been invited and is meeting with" Great Southern and JD Field & Sons, the trust which holds the family's shares.

A team from Loewen is presently in the UK for talks with the UK group. "We'll decide whether or not to make an offer when we've finished the discussions," Loewen said.

Great Southern, which is the UK's biggest crematorium operator, has indicated that an offer from Loewen or any other white knight will be at a higher price than SCI's latest bid of 680p per share. SCI is

also offering 271p for Great Southern's convertible stock.

The Houston-based company earlier this week boosted its stake in Great Southern from 3 per cent to 29 per cent, making it Great Southern's second-biggest shareholder. Its latest offer expires on Aug 30. But the UK Takeover Panel yesterday ruled that SCI would be allowed to extend the closing date for its offer to match the timetable of any competing bid.

Loewen has mushroomed since its formation in the early 1980s, mainly by buying funeral homes in the US. It spent \$666m on US acquisitions in the five years to 1993.

# GrandMet agrees terms of US deal

By Peter Franklin

Heublein, a US subsidiary of Grand Metropolitan, yesterday announced it had completed the \$185m (£118.3m) transaction under which Canandaigua Wine of New York will acquire a number of its wine brands along with several wineries in California.

The consideration for the deal comprises a cash purchase price of about \$130.5m and the assumption by Canandaigua of some \$4.8m of operating liabilities. In addition, Heublein has been granted options to buy 400,000 shares of Canandaigua's class A common stock at \$35 a share and 200,000 class A shares at \$30 apiece.

Heublein has also retained accounts receivable related to the businesses being sold, totalling some \$50m.

In the year ended September 30 1993, net sales (excluding federal excise taxes) related to the assets and business to be sold by Heublein amounted to about \$235m.

Under the terms of the deal Canandaigua will acquire Almaden, Inglenook, Belaire Creek Cellars, Chateau La Salle and Charles Le Franc Champagne and Almaden, Hartley and Jacques Bonet Brandy from Heublein.

The transaction also includes wineries in Madera and Escalon, California, as well as the grape juice concentrate business at the Madera winery.

Heublein will retain its wineries in Palmdale and Reedley, California, and its interests in the Madera Glass Company.

# A wider base is more stable

Caroline Southey explains why Asprey has been making acquisitions

Asprey, the exclusive jewellery retailer which also owns Garrard, the crown jewellers, has learnt it is dangerous to depend on a small group of super-rich customers, particularly during a recession.

That is the view of Mr Naim Attallah, chief executive, who has been behind the group's aggressive acquisition strategy designed to take Asprey into more areas of the luxury goods business.

"Our customer base had to be widened so that the effect of future recessions would not be so severe," says Mr Attallah. "We have to live with the fact that margins are under pressure and that circumstances have changed. Money does not disappear, it just changes hands and we have to follow it."

Through acquisitions the group has sought to reduce its dependence on the sort of customers traditionally attracted to its Bond Street shop where a set of jewellery made from diamonds and Burma rubies retails for \$2m and a pair of life-sized panthers made from oxidised silver cost \$450,000.

"There are only so many people who can spend that kind of money. We had to build a bigger base so that we were not so vulnerable," says Mr Attallah.

Helped by the recession, Asprey has picked off a number of prestigious outlets starting with Mappin & Webb and Garrard in 1990, Watches of Switzerland in 1992 and Les

Ambassadeurs, the watch and jewellery retail chain, in 1993. In July last year Sears, the retail group, sold its 25 per cent stake in Asprey and it moved from the USM to the Official List.

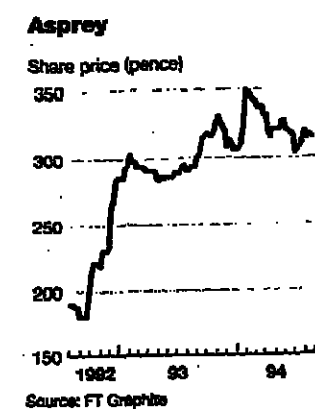
The additions have already made their presence felt. Acquisitions made during the past two years contributed \$18.6m to turnover in the year to March 31, helping to push the total up by almost 30 per cent, from £144.7m to £187.6m.

Despite this, the group's reliance on the Asprey business remains large. Asprey continued to contribute more than 75 per cent of profits and 55 per cent of sales.

Mr Attallah's goal is to cut Asprey's contribution to profits to 35 per cent. "At that point I will feel we have reached an optimum position. We will be less vulnerable and have a wider customer base," he says.

Asprey's management still has a long way to go to improve the performance of the acquisitions. Many of the businesses were in bad shape and it has had to develop a corporate structure more compatible with a diversified group.

Some notable improvements have already been achieved. Garrard has emulated Asprey, organising large exhibitions and pursuing overseas markets. During the year exhibitions were held in Hong Kong, Vienna, Maastricht and New York. The strategy helped boost turnover by 35 per



been established in Hong Kong.

Although Asprey has shelved plans to open in Shanghai, Mr Attallah believes China will offer the "biggest boom ever" in 10 years time. "Our biggest spending customers used to be from the Middle East but there has been a shift to the Far East as a new entrepreneurial class has developed."

Mr Attallah concedes the group will not achieve maximum growth through expansion alone. Of equal importance will be its ability to drive down margins.

Although the group's jewellery and gift manufacturing capacity has been enhanced through the acquisitions, Mr Attallah believes little headway has been made in rationalising and integrating production facilities.

Asprey produces only 12 per cent of what it sells, far too little in Mr Attallah's view. He has set the group a target of 35 per cent by the end of the decade.

This shift could also boost commissioned sales which accounted for only 10 per cent of turnover last year. He would like to see this rise to 15 per cent.

In its dash for growth Asprey is not yet reaching for the mass market. It remains to be seen whether the group can manage to hold on to its exclusivity and simultaneously achieve significant increases in sales volumes with better margins.

# Tottenham to fund deals from existing resources

By Tim Burt

Shares in Tottenham Hotspur yesterday hit a new high for the year after the quoted north London football club said it would finance its recent acquisition spree out of existing cashflow and banking facilities.

The share price - which rose 2p to 110p - has increased 21 per cent in the past week following the club's decision to buy German striker Jurgen Klinsmann and Ilie Dumitrescu of Romania.

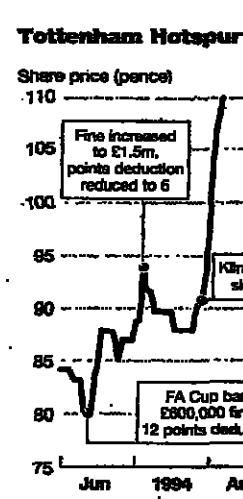
Mr Alan Sugar, chairman, said: "We will be using cash resources and working with our banks to finance these deals."

The club is paying £2.31m for Klinsmann and £3.01m for Dumitrescu, including a 5 per cent levy to the Football League.

Speaking on Thursday, Mr Sugar - who is also chairman of Amstrad, the electronics group - said Tottenham was trying to resolve a row with the Football Association over the club's exclusion from the FA Cup competition.



Alan Sugar: trying to resolve row over FA Cup exclusion



"The FA has made it tough for us, and it is my kind of spirit to hit back and try to solve the problems."

In June the club was fined \$800,000, banned from the FA Cup competition and docked 12 league points over irregular payments to players.

Although the FA subsequently decided to increase the

# Bullough in £10m heating expansion

By Tim Burt

Bullough, the diversified engineering and office products group, yesterday said it was expanding its core heating business with the \$9.89m acquisition of Trianco Group, the privately-owned boiler manufacturer.

It is the first acquisition since Mr Gordon Bond took over as chief executive in January and refocused the company on four key areas: refrigeration, engineering, office products and heating.

"Trianco fits in with our strategy of building competitive advantage and market share in our core businesses."

Bullough is issuing \$9.74m of six year loan notes and paying £150,000 cash for the Sheffield-based company. Mr Bond said the group also planned to redeem £1.9m of Trianco cumulative preference shares and would assume its £2.2m net borrowings.

Trianco, which manufactures and sells oil and gas boilers, reported pre-tax losses of £1.6m after exceptional provisions of £1.8m for the year to December 31. At the operating level, profits were £778,000 on turnover of £12.6m.

The outcome was achieved on turnover up by £10m to £72.4m and was struck after interest payable of £76,000, against income of £174,000.

The company said trading margins remained healthy, though there had been some erosion as it continued to gain market share.

Earnings per share came out at 11.23p (9.83p) and a same-again final of 5.47p is proposed to maintain the total dividend for the year at 11.7p.

Macfarlane Group (Clansman), the Glasgow-based packaging group, has acquired Centurion Packaging (Holdings), a maker of film products for packaging, for £5.5m.

Consideration comprises 897,500 in cash and 1.66m ordinary shares. Centurion made pre-tax profits of £517,000 in the year to May 31 and net assets at that date amounted to £2.03m.

Servicemaster in £6.7m agreed bid

Servicemaster Limited Partnership, through TMX Europe, its newly formed Dutch holding company, has made a recommended £6.7m offer for Peter Cox.

Cox was formed in 1989 via a management buy-out from John Mowlem. It is engaged in timber treatment and damp-proofing, building restoration, pest control and hygiene services, and the manufacture of an electric fly killer.

Margins were generally firm with overheads under control and Mr Kendall expected "a satisfactory outcome" for the first half. In 1993 the group beat its flotation forecast with a pre-tax profit of £7.1m.

# South Crofty tin mine wins its fight for life

By Richard Mooney

The UK's last operating tin mine has won its fight for life.

Mr Kevin Ross, managing director of the South Crofty mine near Camborne, Cornwall, announced yesterday morning that applications for an offer of shares in the company had reached £150m, beating the minimum requirement under a survival package agreed with the government by £50,000 and the Thursday midnight deadline by a few hours.

As soon as the company's auditors and solicitors have confirmed that the issue has met all requirements, which Mr Ross said would take three or four days, the government will write off loans totalling £23.4m.

Also, RTZ, the world's biggest mining company, which sold South Crofty and its sister mine Wheal Jane to management and employees in 1985, will forgive loans of £7.7m.

The survival of the 400-year-old mine and the jobs of its 260 employees are now assured for a year to 18 months. But Mr Ross believed the company's position was now actually stronger than that.

He was encouraged by the fact that £250,000 of the share applications were on behalf of two corporate investors involved in the mining and

minerals sector - the rest being from small private investors. "These companies (which cannot be named until the issue has been verified and the loans written off) have taken a view that tin does have a future in the medium to longer term," he said, "and that puts us in a more secure position."

Mr Ross was also confident that the issue could now get close to the full offer of £18m. That, he said, would enable the company to bring forward some projects and possibly expand the workforce, which has already grown by more than 40 per cent over the past three years.

At about £3,300 a tonne, the world tin price remains nearly £700 below the level that South Crofty needs to make a decent profit. But Mr Ross said the outlook was improving, with emergence from recession likely to lead to good demand growth, particularly from Pacific Rim countries.

The development of new uses for tin was also encouraging, he said, and there were good prospects that improvements in tin can technology could help to win back market share from aluminium containers.

Last year the mine, which produces about 2,200 tonnes annually of tin in concentrate (an intermediate material), reported a pre-tax loss of £42,000 on turnover of £8.5m.

# Wholesale Fittings ahead 15%

Pre-tax profits of Wholesale Fittings, the Essex-based distributor of industrial and commercial electrical products, showed a 15 per cent increase from £2.02m to £2.32m in the year to end-April.

The outcome was achieved on turnover up by £10m to £72.4m and was struck after interest payable of £76,000, against income of £174,000.

The company said trading margins remained healthy, though there had been some erosion as it continued to gain market share.

Earnings per share came out at 11.23p (9.83p) and a same-again final of 5.47p is proposed to maintain the total dividend for the year at 11.7p.

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Servicemaster Limited Partnership, through TMX Europe, its newly formed Dutch holding company, has made a recommended £6.7m offer for Peter Cox.

Cox was formed in 1989 via a management buy-out from John Mowlem. It is engaged in timber treatment and damp-proofing, building restoration, pest control and hygiene services, and the manufacture of an electric fly killer.

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TMX is offering 271p cash for each Cox ordinary share. Shareholders can elect to receive unsecured loan notes guaranteed by Servicemaster instead of cash.

The appeal by Simon Engineering for the company to be classified within the engineering rather than the distributors industry sector has been upheld.

The FT-SE Actuaries Industry Classification Committee will consider within which sub-sector of Engineering to classify Simon at its next meeting on September 12.

Equifax in talks with UAPT advisers

Equifax, the US credit information business, is having talks with the advisers to UAPT-infolink with a view to seeking a recommendation for its increased cash offer of 800p per share for the UK credit referencing company.

Equifax announced a 500p recommended offer on July 26, but it was pre-empted by a rival 550p bid on Wednesday from Trans Union, another North American credit information business.

Equifax responded with the 800p offer, but despite UAPT board support for the 500p bid, the increased offer has not been recommended.

Possible backers for mines buy-out bid

The Northern Coal Company, set up by Mr Alan Houghton to bid for the Central North Regional Coal Company being offered under proposals for the privatisation of British Coal, has eight financial institutions interested in providing funds.

KPMG Corporate Finance, which is advising the management and employee buy-out team, said representatives from Schroder Ventures, Apex Partners, Childre Ventures,

Barclays Bank, Midland Bank, NatWest Ventures, Royal Bank of Scotland and 3i had travelled to the Selby complex in Yorkshire to visit Mr Houghton, group director of British Coal Corporation Northern Group.

Flagstone losses cut to £424,000

Flagstone Holdings, the USM-traded leisure concern, cut pre-tax losses from £730,000 to £424,000 for the year ended January 31. Turnover grew from \$521,000 to \$587,000, of which £110,000 related to acquisitions.

The deficit was after a £142,000 profit on the sale of an investment, compared with a £273,000 write down of investment property before and took in a £228,000 charge for an abortive acquisition. Net interest payable was lower at £122,000 (£208,000). Losses per share narrowed to 0.13p (0.53p).

Reduced deficit for London Securities

Reduced losses of £118,000, compared with £131,000, were announced by London Securities, the property investment and development group, for the six months to March 31.

The result comprises rents, interest and dividend income of £24,000 (£27,000) less administrative expenses of £120,000 (£138,000). Losses per share were unchanged at 0.2p.

The results only reflect income and expenditure deriving from and related to assets acquired on or after approval of the voluntary arrangement in October 1992. No surpluses for unsecured creditors arose in the period.

French Property lifts net asset value

Net asset value per share of French Property Trust improved from 89.9p to 94.07p over the year to June 30. For the six months to June net revenue rose from £168,515 to £189,239. Earnings per share amounted to 0.76p (0.67p).

Inv Tst of Guernsey net assets at 77.3p

The Investment Trust of Guernsey had a net asset value of 77.3p per share at June 30, against values of 87.2p at December 31 and 73.5p at end-June 1993.

Net revenue for the six month period dipped to £202,000 (£217,000) leaving earnings per share of 1.16p (1.2p). The interim dividend is maintained at 0.825p gross.

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French Property lifts net asset value

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The new board of directors, appointed last month, said it expected next month to announce proposals for the acquisition of certain properties from the Nu-Swift group.

Finsbury Smaller asset value up 11%

Net asset value at Finsbury Smaller Companies was 167.2p per share at the end of June, compared with 150.2p a year earlier. The 11.3 per cent increase compared with a gain of 8.4 per cent in the Hoare Govett Smaller Companies Index.

Net revenue increased from £254,000 to £320,000. Earnings per share fell from 2.2p to 2p, and an interim dividend of 1.2p (1.1p) is declared.

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# An investment you can actually enjoy!

The Holiday Property Bond is a Life Assurance bond offering holidays for life. Your money is invested in holiday property and in securities producing income to help to pay management charges. The Bond can be cashed in at any time after two years for its then value, which is linked to the value of the holiday properties and securities. The unit price of the Holiday Property Bond is quoted daily in the Financial Times. However, investors should note that they may not be able to realise their investment when they choose because property in the fund may not always be readily saleable. At such times, the Life Company may defer redemption for up to twelve months. Property valuation is generally a matter of the value's opinion rather than fact. There is the potential for long-term capital growth, but the value of investments can go down as well as up.



# The HOLIDAY PROPERTY BOND

When you invest in the Holiday Property Bond, you own a financial interest in more than 600 luxury cottages, villas and apartments at 24 locations in the UK, Europe and America. All the Bond properties are beautifully appointed, in delightful resorts and near to restaurants and shops - everything for the discriminating self-catering holidaymaker. You can use them all for your RENT-FREE inflation-protected holiday accommodation every year, for life, and you'll never have to worry about furnishing, upkeep, maintenance and letting - it's simpler than owning a villa and more flexible than timeshare!

MINIMUM £2,000 INVESTMENT

The Holiday Property Bond is one of Europe's fastest-growing property co-ownerships, with more than 17,900 Bondholders who have collectively invested over £112,000,000.

Please send me details of the HOLIDAY PROPERTY BOND

Name (Mr/Ms/Miss/Ms)

Address

Post Code

Telephone (Daytime)

(Evening/Weekend)

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## COMMODITIES AND BOND PRICES

## WEEK IN THE MARKETS

## Coffee selling put on ice

London coffee futures were yesterday able to hold on to most of this week's gains mainly because of the reluctance of sellers, rather than the enthusiasm of buyers.

The November at the London Commodity Exchange closed at \$3.55 a tonne, down \$0.06 on the day but still \$1.97 up on the week, as the possibility of further frost damage to the Brazilian crop caused most speculators to put selling plans on ice, until next week at least.

The return of cold weather to Brazilian coffee areas pushed prices up sharply early in the week and news of another frost took the November price up to \$3.67 on Thursday morning. It quickly became apparent, however, that the frost was only a light one and that it had touched only a limited coffee-growing area. Nevertheless, with the cold weather pushing speculators were not about to leave themselves short over the weekend.

In its latest Monthly Bulletin London trade house E.D. & F. Man said that coffee roasters were "extremely suspicious of a market that has been fuelled so much by expectations of continuing supply problems".

The big test would come in October, it said, when producing countries started marketing the 1994-95 winter crops and buying began for the peak roasting season. With the extent of crops and the extent of Brazilian frost damage being clearer by then roasters would have to decide whether their "hand to mouth" buying strategy was still appropriate or whether they should extend physical cover.

LCE cocoa prices were under pressure for most of the week from technical factors. The December futures position closed yesterday at \$1.066 a tonne, down \$0.02 overall.

At the London bullion market gold yesterday ended a

six-day sequence of falls that had tested support at the bottom of its recent trading range. The price closed at \$378.50 a troy ounce, up 30 cents on the day but \$5.40 down on the week. The fall was probably a reflection of the normal northern hemisphere summer lull in demand, suggested Mr George Millings-Stanley, analyst at Lehman Brothers in New York.

Platinum meanwhile continued its retreat from recent long-time highs, "fixing" yesterday afternoon at \$409.85, up \$5.60 on the day but \$9.55 down on the week. Silver was also weak, ending 12.25 cents down at \$5.16 a troy ounce.

It was a similar story at the London Metal Exchange, where copper led a general price decline.

Three months metal closed yesterday at \$2,403.50 a tonne, down \$39 overall, having dipped to \$2,362 on Tuesday. The price had tested the area below \$2,400 again yesterday morning, on news of another rise in LME warehouse stocks. Traders told the Reuters news agency that copper continued to be influenced by speculative interest at both ends of the market, amid a lack of consumer demand during the summer slowdown in industrial activity.

LME warehouse stocks (in thousands of tonnes)

	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1
Aluminium	4,770	4,770	4,770	4,770	4,770
Aluminium alloy	1,220	1,220	1,220	1,220	1,220
Copper	1,680	1,680	1,680	1,680	1,680
Lead	1,450	1,450	1,450	1,450	1,450
Nickel	400	400	400	400	400
Platinum	1,100	1,100	1,100	1,100	1,100
Silver	1,100	1,100	1,100	1,100	1,100
Tin	400	400	400	400	400

For aluminium the continuing drawdown from LME stocks could not prevent an extension of the retreat from last week's 34-year highs. But an early fall yesterday below \$1,400 a tonne for three months delivery attracted buyers and the price closed at \$1,443.75, down \$23.75 on the week.

Although its fundamental outlook remained positive the LME three months lead price this week abandoned its struggle to stay above \$900 a tonne, ending at \$896.50 a tonne.

Richard Mooney

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

## ALUMINIUM, 99.7 PURITY (5 per tonne)

	Close	High	Low	Open
Aug 5	1421.22	1448.5-6.0		
Aug 4	1426.9			
Aug 3	1422.3			
Aug 2	1422.3			
Aug 1	1422.3			

## ALUMINIUM ALLOY (5 per tonne)

	Close	High	Low	Open
Aug 5	1480.5	1477.8		
Aug 4	1478.0			
Aug 3	1478.0			
Aug 2	1478.0			
Aug 1	1478.0			

## COPPER, 99.99% (5 per tonne)

	Close	High	Low	Open
Aug 5	1478.0	1478.0		
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## CURRENCIES AND MONEY

## MARKETS REPORT

## Dollar steady

The dollar firmed slightly yesterday on foreign exchanges despite US bonds reacting negatively to the release of employment figures, writes Philip Gault.

The July non-farm payroll rose by 259,000, above market expectations. The dollar initially firmed on the news, but later came off as bond prices fell. It finished in London at DM1.5822 from DM1.5811 on Thursday. Against the yen it closed at ¥100.485 from ¥100.2.

In the UK, it was business as usual with the weekly treasury bill auction a comparative non-event after last week's excitement. The highest rate accepted at the 91 day T-bill tender was 5.3747 per cent, down from 5.7558 per cent.

There was little movement in Europe with markets ending a perfunctory mid-summer feel. The lira maintained its firmer showing, without showing much sign of strengthening, to close at 1,997.5 from

1,997.5 against the D-Mark.

The dollar's performance - up on the expectation of higher rates, down when the bond market reacted negatively to the same prospect - was in keeping with its recent range-bound performance, between DM1.57 and DM1.60.

As far as the dollar's strength against the D-Mark is concerned, the market's main concern is when and by how

much the Fed will tighten monetary policy. The latest figures lend support to those who favour the policy-making FOMC moving at its next meeting on August 15.

This view already had support from comments made on Thursday by Mr Robert Farry

## Dollar

DM per \$

1.60

1.58

1.56

1.54

1.52

1.50

1.48

1.46

1.44

1.42

1.40

1.38

1.36

1.34

1.32

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1.04

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## Sterling

£ per \$

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-0.10

-0.12

-0.14

-0.16

## French franc

FF per DM

2.46

2.44

2.42

2.40

2.38

2.36

2.34

2.32

2.30

2.28

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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) of the Stock Exchange is not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

\* Bargains at special prices. \* Bargains done the previous day.

## British Funds, etc

Treasury 134.1% Bid 200000 - £124.12 124.12 (AUG)

Equity 104.1% Bid 20000 - £114.14 (AUG)

## Corporation and County Stocks

Birmingham Corp 3% Bid 19400 after - £134.14 (AUG)

Birmingham County 11% Bid 20000 - £134.14 (AUG)

Dorset Municipal Borough 5% Bid 19400 after - £134.14 (AUG)

Leeds City of 10% Bid 20000 - £127.12 (AUG)

Leeds City of 10% Bid 20000 - £127.12 (AUG)

Leeds City of 10% Bid 20000 - £127.12 (AUG)

## UK Public Bonds

Metropolitan Waterworks 2% Bid 20000 - £124.12 (AUG)

Metropolitan Waterworks 2% Bid 20000 - £124.12 (AUG)

## Commonwealth Government

South Australia 3% Bid 20000 - £124.12 (AUG)

South Australia 3% Bid 20000 - £124.12 (AUG)

## Foreign Stocks, Bonds, etc

(coupons payable in London)

Portugal Republic of 5% Bid 20000 - £124.12 (AUG)

Portugal Republic of 5% Bid 20000 - £124.12 (AUG)

Spain 10% Bid 20000 - £124.12 (AUG)

Spain 10% Bid 20000 - £124.12 (AUG)

Italy 10% Bid 20000 - £124.12 (AUG)

Italy 10% Bid 20000 - £124.12 (AUG)

France 10% Bid 20000 - £124.12 (AUG)

France 10% Bid 20000 - £124.12 (AUG)

Germany 10% Bid 20000 - £124.12 (AUG)

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Japan 10% Bid 20000 - £124.12 (AUG)

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USA 10% Bid 20000 - £124.12 (AUG)

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Canada 10% Bid 20000 - £124.12 (AUG)

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Australia 10% Bid 20000 - £124.12 (AUG)

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New Zealand 10% Bid 20000 - £124.12 (AUG)

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South Africa 10% Bid 20000 - £124.12 (AUG)

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India 10% Bid 20000 - £124.12 (AUG)

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Pakistan 10% Bid 20000 - £124.12 (AUG)

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Bangladesh 10% Bid 20000 - £124.12 (AUG)

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Sri Lanka 10% Bid 20000 - £124.12 (AUG)

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Malaysia 10% Bid 20000 - £124.12 (AUG)

Malaysia 10% Bid 20000 - £124.12 (AUG)

Singapore 10% Bid 20000 - £124.12 (AUG)

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Thailand 10% Bid 20000 - £124.12 (AUG)

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Philippines 10% Bid 20000 - £124.12 (AUG)

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Indonesia 10% Bid 20000 - £124.12 (AUG)

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Colombia 10% Bid 20000 - £124.12 (AUG)

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Peru 10% Bid 20000 - £124.12 (AUG)

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Panama 10% Bid 20000 - £124.12 (AUG)

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Dominican Republic 10% Bid 20000 - £124.12 (AUG)

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Jamaica 10% Bid 20000 - £124.12 (AUG)

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Trinidad and Tobago 10% Bid 20000 - £124.12 (AUG)

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Barbados 10% Bid 20000 - £124.12 (AUG)

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Antigua and Barbuda 10% Bid 20000 - £124.12 (AUG)

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St. Kitts and Nevis 10% Bid 20000 - £124.12 (AUG)

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St. Lucia 10% Bid 20000 - £124.12 (AUG)

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St. Vincent and the Grenadines 10% Bid 20000 - £124.12 (AUG)

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Grenada 10% Bid 20000 - £124.12 (AUG)

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Suriname 10% Bid 20000 - £124.12 (AUG)

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Guinea 10% Bid 20000 - £124.12 (AUG)

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Cote d'Ivoire 10% Bid 20000 - £124.12 (AUG)

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Upper Volta 10% Bid 20000 - £124.12 (AUG)

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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Firm close in spite of uncertainty in US markets

By Terry Byland, UK Stock Market Editor

The UK stock market scored a further advance yesterday in spite of some uncertainty with weakness in New York currency and securities markets following unexpectedly strong US payroll figures for last month. Share price trends remained erratic, reflecting uncertain prospects for domestic interest rates but the stock market was encouraged by official actions in the London money markets.

The FT-SE 100 index challenged 3,140 in early trading, largely under the influence of stock index futures, but quickly rebounded to record a 12-point gain. The market then sold off again as US bonds and equities opened sharply off on the news of growth in US July payroll numbers,

described as "unusually strong" by a US Labor Department official, had brought back fears that the Federal Reserve might decide to tighten credit policy.

But with British government bonds standing up well to US credit fears the stock market rallied. At the close of business, the FT-SE 100 index was 17 points up on overnight at 3,167.5. The FT-SE Mid 250 index was in good form again, adding 14.7 to 3,714.9.

Yesterday brought a firm close to a highly successful week for the UK equity market which has recorded a gain of around 2.8 per cent on leading market indices. Equities have been encouraged by perceptions that domestic bank rates are unlikely to rise for at least a month, in contrast with fears at the end of last week that Bank of England

actions in the money markets had pointed the way to immediate action on interest rates.

Trading volume slackened a little yesterday, with 579.8m shares traded through the Stryx electronic system, compared with 670.6m on Thursday. Retail, or genuine customer business, in UK equities has remained high this week.

Thursday's retail business was worth £1.4bn, and the average of £1.38m for the past five sessions was comfortably within the range of profitable business levels from the viewpoint of the London-based securities industry.

These relatively good levels of retail trading volume support a generally optimistic view of market prospects among UK analysts. Although the big investment funds have tended to stay on the sidelines

this week, it has been clear that share prices have found support wherever significant levels on the equity charts were challenged.

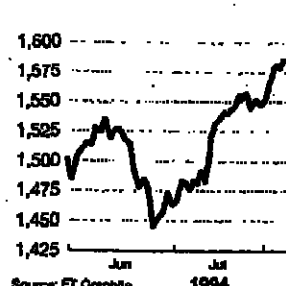
At the close of yesterday's trading session, the UK government bond market was narrowly mixed but this compared well with the weakness in US bonds. Concern that US interest rates may rise soon was tempered by the signs that British, and other European bond markets, may have disengaged from the US fixed interest sector. However, some nervousness is expected this week as further US data is disclosed.

Short-dated UK bonds, the most closely linked to base rate prospects, were a shade easier at the close while the longer dates, more closely reflecting future inflation concerns, had gained around 1/4 point.

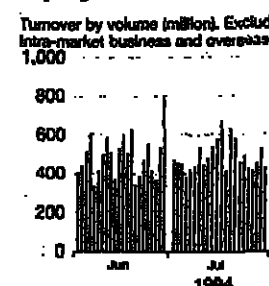
The stock market was again helped by growing convictions that the pharmaceutical sector may be the arena for a multi-national takeover move. Speculation has been stimulated by the \$55bn bid in the US for American Cyanamid which has raised assets across the global pharmaceutical industry.

The market closed on an optimistic note as the focus continued to turn away from interest rate prospects and towards the benefits of the steady rise in UK corporate earnings and dividends. Some London-based securities houses have raised their year-end forecasts for the UK market over the past fortnight and optimism has remained bright this week as a clutch of large British companies have reported trading progress for the first half of the year.

## FT-SE-A All-Share Index



## Equity Shares Traded



## Key Indicators

## Indices and ratios

FT-SE Mid 250	3714.9	+14.7
FT-SE-A 350	1598.1	+8.1
FT-SE-A All-Share	1584.61	+7.76
FT-SE-A All-Share yield	3.75	(3.77)
FT Ordinary Index	2471.5	+9.5
FT-SE-A Non Fine p/e	19.92	(19.86)
FT-SE 100 Div Sep	3183.0	+8.0
10 yr Gilt yield	8.52	(8.41)
Long gilt/equity yield ratio	2.30	(2.26)

## FT-SE 100 Index

Closing index for Aug 5	3167.5
Change over week	+84.9
Aug 4	3152.5
Aug 3	3160.4
Aug 2	3157.5
Aug 1	3097.4
High	3172.8
Low	3075.8
Five-day high and low for week	

## TRADING VOLUME

## Major Stocks Yesterday

Code	Company	Vol	Close	Change
ADG	Admiral	1,000	1.00	+0.05
AGF	Anglo Foreign	1,000	1.00	+0.05
AGL	Anglo	1,000	1.00	+0.05
AGP	Anglo Pacific	1,000	1.00	+0.05
AGS	Anglo Siam	1,000	1.00	+0.05
AGT	Anglo Transport	1,000	1.00	+0.05
AGU	Anglo Union	1,000	1.00	+0.05
AGV	Anglo Victoria	1,000	1.00	+0.05
AGW	Anglo West	1,000	1.00	+0.05
AGX	Anglo Xmas	1,000	1.00	+0.05
AGY	Anglo York	1,000	1.00	+0.05
AGZ	Anglo Zanzibar	1,000	1.00	+0.05
AGAA	Anglo Africa	1,000	1.00	+0.05
AGAB	Anglo Asia	1,000	1.00	+0.05
AGAC	Anglo Australia	1,000	1.00	+0.05
AGAD	Anglo Canada	1,000	1.00	+0.05
AGAE	Anglo Europe	1,000	1.00	+0.05
AGAF	Anglo France	1,000	1.00	+0.05
AGAG	Anglo Germany	1,000	1.00	+0.05
AGAH	Anglo Greece	1,000	1.00	+0.05
AGAI	Anglo India	1,000	1.00	+0.05
AGAJ	Anglo Italy	1,000	1.00	+0.05
AGAK	Anglo Japan	1,000	1.00	+0.05
AGAL	Anglo Korea	1,000	1.00	+0.05
AGAM	Anglo Malaysia	1,000	1.00	+0.05
AGAN	Anglo Netherlands	1,000	1.00	+0.05
AGAO	Anglo Norway	1,000	1.00	+0.05
AGAP	Anglo Portugal	1,000	1.00	+0.05
AGAQ	Anglo Russia	1,000	1.00	+0.05
AGAR	Anglo Singapore	1,000	1.00	+0.05
AGAS	Anglo South Africa	1,000	1.00	+0.05
AGAT	Anglo Sweden	1,000	1.00	+0.05
AGAU	Anglo Switzerland	1,000	1.00	+0.05
AGAV	Anglo Taiwan	1,000	1.00	+0.05
AGAW	Anglo Thailand	1,000	1.00	+0.05
AGAX	Anglo USA	1,000	1.00	+0.05
AGAY	Anglo Vietnam	1,000	1.00	+0.05
AGAZ	Anglo Zimbabwe	1,000	1.00	+0.05
AGBA	Anglo Bahrain	1,000	1.00	+0.05
AGBB	Anglo Bangladesh	1,000	1.00	+0.05
AGBC	Anglo Belgium	1,000	1.00	+0.05
AGBD	Anglo Brazil	1,000	1.00	+0.05
AGBE	Anglo Bulgaria	1,000	1.00	+0.05
AGBF	Anglo Canada	1,000	1.00	+0.05
AGBG	Anglo China	1,000	1.00	+0.05
AGBH	Anglo Denmark	1,000	1.00	+0.05
AGBI	Anglo Finland	1,000	1.00	+0.05
AGBJ	Anglo France	1,000	1.00	+0.05
AGBK	Anglo Germany	1,000	1.00	+0.05
AGBL	Anglo Greece	1,000	1.00	+0.05
AGBM	Anglo Hong Kong	1,000	1.00	+0.05
AGBN	Anglo India	1,000	1.00	+0.05
AGBO	Anglo Indonesia	1,000	1.00	+0.05
AGBP	Anglo Ireland	1,000	1.00	+0.05
AGBQ	Anglo Israel	1,000	1.00	+0.05
AGBR	Anglo Italy	1,000	1.00	+0.05
AGBS	Anglo Japan	1,000	1.00	+0.05
AGBT	Anglo Korea	1,000	1.00	+0.05
AGBU	Anglo Malaysia	1,000	1.00	+0.05
AGBV	Anglo Netherlands	1,000	1.00	+0.05
AGBW	Anglo Norway	1,000	1.00	+0.05
AGBX	Anglo Portugal	1,000	1.00	+0.05
AGBY	Anglo Russia	1,000	1.00	+0.05
AGBZ	Anglo Singapore	1,000	1.00	+0.05
AGCA	Anglo South Africa	1,000	1.00	+0.05
AGCB	Anglo Sweden	1,000	1.00	+0.05
AGCC	Anglo Switzerland	1,000	1.00	+0.05
AGCD	Anglo Taiwan	1,000	1.00	+0.05
AGCE	Anglo Thailand	1,000	1.00	+0.05
AGCF	Anglo USA	1,000	1.00	+0.05
AGCG	Anglo Vietnam	1,000	1.00	+0.05
AGCH	Anglo Zimbabwe	1,000	1.00	+0.05
AGCI	Anglo Bahrain	1,000	1.00	+0.05
AGCJ	Anglo Bangladesh	1,000	1.00	+0.05
AGCK	Anglo Belgium	1,000	1.00	+0.05
AGCL	Anglo Brazil	1,000	1.00	+0.05
AGCM	Anglo Bulgaria	1,000	1.00	+0.05
AGCN	Anglo Canada	1,000	1.00	+0.05
AGCO	Anglo China	1,000	1.00	+0.05
AGCP	Anglo Denmark	1,000	1.00	+0.05
AGCQ	Anglo Finland	1,000	1.00	+0.05
AGCR	Anglo France	1,000	1.00	+0.05
AGCS	Anglo Germany	1,000	1.00	+0.05
AGCT	Anglo Greece	1,000	1.00	+0.05
AGCU	Anglo Hong Kong	1,000	1.00	+0.05
AGCV	Anglo India	1,000	1.00	+0.05
AGCW	Anglo Indonesia	1,000	1.00	+0.05
AGCX	Anglo Ireland	1,000	1.00	+0.05
AGCY	Anglo Israel	1,000	1.00	+0.05
AGCZ	Anglo Italy	1,000	1.00	+0.05
AGDA	Anglo Japan	1,000	1.00	+0.05
AGDB	Anglo Korea	1,000	1.00	+0.05
AGDC	Anglo Malaysia	1,000	1.00	+0.05
AGDD	Anglo Netherlands	1,000	1.00	+0.05
AGDE	Anglo Norway	1,000	1.00	+0.05
AGDF	Anglo Portugal	1,000	1.00	+0.05
AGDG	Anglo Russia	1,000	1.00	+0.05
AGDH	Anglo Singapore	1,000	1.00	+0.05
AGDI	Anglo South Africa	1,000	1.00	+0.05
AGDJ	Anglo Sweden	1,000	1.00	+0.05
AGDK	Anglo Switzerland	1,000	1.00	+0.05
AGDL	Anglo Taiwan	1,000	1.00	+0.05
AGDM	Anglo Thailand	1,000	1.00	+0.05
AGDN	Anglo USA	1,000	1.00	+0.05
AGDO	Anglo Vietnam	1,000	1.00	+0.05
AGDP	Anglo Zimbabwe	1,000	1.00	+0.05
AGDQ	Anglo Bahrain	1,000	1.00	+0.05
AGDR	Anglo Bangladesh	1,000	1.00	+0.05
AGDS	Anglo Belgium	1,000	1.00	+0.05
AGDT	Anglo Brazil	1,000	1.00	+0.05
AGDU	Anglo Bulgaria	1,000	1.00	+0.05
AGDV	Anglo Canada	1,000	1.00	+0.05
AGDW	Anglo China	1,000	1.00	+0.05
AGDX	Anglo Denmark	1,000	1.00	+0.05
AGDY	Anglo Finland	1,000	1.00	+0.05
AGDZ	Anglo France	1,000	1.00	+0.05
AGEA	Anglo Germany	1,000	1.00	+0.05
AGEB	Anglo Greece	1,000	1.00	+0.05
AGEC	Anglo Hong Kong	1,000	1.00	+0.05
AGED	Anglo India	1,000	1.00	+0.05
AGEE	Anglo Indonesia	1,000	1.00	+0.05
AGED	Anglo Ireland	1,000	1.00	+0.05
AGEF	Anglo Israel	1,000	1.00	+0.05
AGEG	Anglo Italy	1,000	1.00	+0.05
AGEH	Anglo Japan	1,000	1.00	+0.05
AGEI	Anglo Korea	1,000	1.00	+0.05
AGEJ	Anglo Malaysia	1,000	1.00	+0.05
AGEK	Anglo Netherlands	1,000	1.00	+0.05
AGEL	Anglo Norway	1,000	1.00	+0.05
AGEM	Anglo Portugal	1,000	1.00	+0.05
AGEN	Anglo Russia	1,000	1.00	+0.05
AGEO	Anglo Singapore	1,000	1.00	+0.05
AGEP	Anglo South Africa	1,000	1.00	+0.05
AGEQ	Anglo Sweden	1,000	1.00	+0.05
AGER	Anglo Switzerland	1,000	1.00	+0.05
AGES	Anglo Taiwan	1,000	1.00	+0.05
AGET	Anglo Thailand	1,000	1.00	+0.05
AGEU	Anglo USA	1,000	1.00	+0.05
AGEV	Anglo Vietnam	1,000	1.00	+0.05
AGEW	Anglo Zimbabwe	1,000	1.00	+0.05
AGEX	Anglo Bahrain	1,000	1.00	+0.05
AGEY	Anglo Bangladesh	1,000	1.00	+0.05
AGEZ	Anglo Belgium	1,000	1.00	+0.05
AGFA	Anglo Brazil	1,000	1.00	+0.05
AGFB	Anglo Bulgaria	1,000	1.00	+0.05
AGFC	Anglo Canada	1,000	1.00	+0.05
AGFD	Anglo China	1,000	1.00	+0.05
AGFE	Anglo Denmark	1,000	1.00	+0.05
AGFG	Anglo Finland	1,000	1.00	+0.05
AGFH	Anglo France	1,000	1.00	+0.05
AGFI	Anglo Germany	1,000	1.00	+0.05
AGFJ	Anglo Greece	1,000	1.00	+0.05
AGFK	Anglo Hong Kong	1,000	1.00	+0.05
AGFL	Anglo India	1,000	1.00	+0.05
AGFM	Anglo Indonesia	1,000	1.00	+0.05
AGFN	Anglo Ireland	1,000	1.00	+0.05
AGFO	Anglo Israel	1,000	1.00	+0.05
AGFP	Anglo Italy	1,000	1.00	+0.05
AGFQ	Anglo Japan	1,000	1.00	+0.05
AGFR	Anglo Korea	1,000	1.00	+0.05
AGFS	Anglo Malaysia	1,000	1.00	+0.05
AGFT	Anglo Netherlands	1,000	1.00	+0.05
AGFU	Anglo Norway	1,000	1.00	+0.05
AGFV	Anglo Portugal	1,000	1.00	+0.05
AGFW	Anglo Russia	1,000	1.00	+0.05
AGFX	Anglo Singapore	1,000	1.00	+0.05
AGFY	Anglo South Africa	1,000	1.00	+0.05
AGFZ	Anglo Sweden	1,000	1.00	+0.05
AGGA	Anglo Switzerland	1,000	1.00	+0.05
AGGB	Anglo Taiwan	1,000	1.00	+0.05
AGGC	Anglo Thailand	1,000	1.00	+0.05
AGGD	Anglo USA	1,000	1.00	+0.05
AGGE	Anglo Vietnam	1,000	1.00	+0.05
AGGF	Anglo Zimbabwe	1,000	1.00	+0.05
AGGH	Anglo Bahrain	1,000	1.00	+0.05
AGGI	Anglo Bangladesh	1,000	1.00	+0.05
AGGJ	Anglo Belgium	1,000	1.00	+0.05
AGGK	Anglo Brazil	1,000	1.00	+0.05
AGGL	Anglo Bulgaria	1,000	1.00	+0.05
AGGM	Anglo Canada	1,000	1.00	+0.05
AGGN	Anglo China	1,000	1.00	+0.05
AGGO	Anglo Denmark	1,000	1.00	+0.05
AGGP	Anglo Finland	1,000	1.00	+0.05
AGGQ	Anglo France	1,000	1.00	+0.05
AGGR	Anglo Germany	1,000	1.00	+0.05
AGGS	Anglo Greece	1,000	1.00	+0.05
AGGT	Anglo Hong Kong	1,000	1.00	+0.05
AGGU	Anglo India	1,000	1.00	+0.05
AGGV	Anglo Indonesia	1,000	1.00	+0.05
AGGW	Anglo Ireland	1,000	1.00	+0.05
AGGX	Anglo Israel	1,000	1.00	+0.05
AGGY	Anglo Italy	1,000	1.00	+0.05
AGGZ	Anglo Japan	1,000	1.00	+0.05
AGHA	Anglo Korea	1,000	1.00	+0.05
AGHB	Anglo Malaysia	1,000	1.00	+0.05
AGHC	Anglo Netherlands	1,000	1.00	+0.05
AGHD	Anglo Norway	1,000	1.00	+0.05
AGHE	Anglo Portugal	1,000	1.00	+0.05
AGHF	Anglo Russia	1,000	1.00	+0.05
AGHG	Anglo Singapore	1,000	1.00	+0.05
AGHI	Anglo South Africa	1,000	1.00	+0.05



## AUTHORISED UNIT TRUSTS

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**INSURANCES**

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**LUXEMBOURG** (SIB RECOGNIZETA)

[illegible]**LUXEMBOURG (REGULATED)** <sup>(\*)</sup>[illegible]

## OTHER OFFSHORE FUNDS

[illegible][illegible]







## AMERICA

## US stocks retreat after jobs figures

## Wall Street

US stocks retreated yesterday morning in the face of a July employment report which increased the likelihood of higher interest rates, writes *Frank McGurty in New York*.

However, the reaction was mild in view of a sharp decline in the data triggered in the bond market.

By 1pm, the Dow Jones Industrial Average was 13.92 lower at 3,750.58, while the more broadly based Standard & Poor's 500 was down 1.71 at 456.69. Volume on the Big Board was light, with 138m shares traded by early afternoon. In the secondary market, the American S&P composite was off 0.78 at 440.57, and the Nasdaq composite slipped 3.15 to 717.05.

The negative tone was set before the market opened. At

8.30am, the Labor Department announced that non-farm payrolls had increased by 259,000 jobs last month, well ahead of the consensus forecast. Investors had keenly awaited the data, looking for convincing evidence that would allow the Federal Reserve to delay its next move to tighter credit conditions.

Instead, the data suggested a rate increase could come at any time. As a consequence, the blue chips extended a decline which had begun in the closing minutes of the previous session, when investors had sensed the bad news to come.

However, the downturn was relatively mild when compared with the rout in bonds. In early trading, the benchmark 30-year government security was down more than a point amid an onslaught of selling pressure.

The hardest hit issue among the Dow industrials was Cater-

pillar, a stock that prospered early in the economic recovery. With the cycle apparently taking another turn, its share price dropped 2 1/4 to \$105 after an order imbalance briefly halted trading in the issue. But the stoppage coincided with the approval by shareholders of a two-for-one stock split, suggesting that the decline was not simply a response to the fundamentals.

However, Cummins Engine, another company whose performance is closely tied to the economy, dropped 1 1/2 to \$89.75. The recent spate of merger and acquisitions showed no sign of abating, as news of two deals struck by Nextel, a New Jersey telecommunications concern, added a touch of spice to a surprisingly bland session.

The stock rose 1 1/2 to \$26 after Nextel announced a tax-free merger with Dial Page and agreed to buy certain wireless

communications businesses from Motorola. Dial Page was up 1/4 at \$33 and Motorola was unchanged at \$52.

Earnings news continued to straggle into Wall Street. Scientific Atlanta, a cable television equipment supplier, jumped 3 1/2 to \$38 after surprising Wall Street with net income of 53 cents a share, 10 cents better than expected.

On the Nasdaq, Ben & Jerry's share price dropped 1 1/2 to 12.5 per cent, to \$13.4 after the Vermont ice cream company posted second-quarter earnings of 10 cents a share, about a third of the level forecast by analysts.

## Canada

Toronto stocks continued to fall at midday after the stronger-than-expected US jobs data provoked fears of higher interest rates. All sectors posted

losses in active midday trade, led by declines in forestry, mining and consumer products groups. The TSE 300 index was down 38.50 at 4,173.60 in volume of 28.3m shares.

## Brazil

Shares in São Paulo were up 1.6 per cent at midday, having rebounded from early profit-taking as domestic and foreign investors returned to the market and pushed the volume up.

The Bovespa index of the 56 most-active shares had risen 709 to 44,259 by 1pm. Turnover was \$317.5m (\$128.5m).

Analysts said that positive results released by steel mill CSN underpinned the sector. The group reported a \$6m net profit in the first half of 1994, up from \$3m in the same period last year. CSN common stock rallied 3.7 per cent to \$32.99.

## German analysts offer high hopes for 1994

Christopher Parkes reports on earnings prospects

This week's call for a "sensible" discussion of profit prospects from German engineering industry leaders was aimed at two distinctly different audiences. One comprised investors whose expectations of gains are being fuelled by increasingly optimistic analysts.

The other consisted of their own employees - due back soon from the Mediterranean shores - whose expectations of better pay packets have been encouraged by trade union leaders preparing for the 1994 pay round and calling for a "fairer" distribution of rising profits.

Gesamtmittel, the engineering employers' association, reminded anyone prepared to listen that the industry lost DM150 last year, the worst 12 months in its history, and that the industry was likely to be a long process.

But market professionals appear undeterred, and have upgraded industrial stocks on a wide front. One reason is that concerns about interest rates and the US currency's condition have receded more into the background - at least while the Bundesbank is still on summer leave. Meanwhile, as a series of indicators has shown the economy picking up momentum far more quickly than expected, they believe they have discovered further, previously-hidden profit potential locked up in the likes of Daimler-Benz, chemicals and even in the battered steel sector.

In the past week strong incoming orders figures, with a domestic contribution from demand for plant and machinery, topped up export bookings, have emboldened the picture further.

Schröder, Münchmeyer Hengst, the private bank, claims to have uncovered potential earnings rises this year of around 80 per cent for the 30 constituent companies in the Frankfurt Dax index, with another 30-odd per cent to come in 1995. Taking a wider sample of 170 quoted companies, Commerzbank's analysts forecast average earnings growth of 25 per cent

both this year and next. Meanwhile, the accelerating flow of interim results has provided a steady supply of optimistic commentaries from the companies themselves, confirming turnarounds and improvements in most sectors.

Opinion on the big banks remained divided as the mid-year reporting season progressed. Deutsche - banker to the Mittelstand - produced better-than-expected results. But Commerzbank disappointed when it turned out that unse-

which showed aggregate sales and volume up 4 per cent. While average chemicals prices were still marginally down on the first half of 1993, brokers liked the report that the industry workforce had been reduced sharply and that further cuts were on the way.

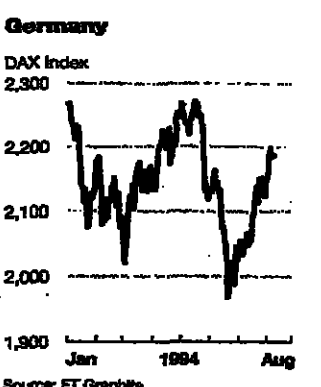
A similar combination of continued restructuring and strong sales of Mercedes-Benz cars, recently reported by chairman Mr Helmut Werner, helped to prompt a flurry of "buy" recommendations for its parent, Daimler-Benz, and sharpened interest in the whole vehicles sector.

Events in the automotive industry, which was worst hit by the recession, are typical of the underlying attractions investors see in other sectors. Statements and actions confirm that management is determined to press on with the rationalisation deemed necessary to restore lasting competitiveness.

The latest moves at Mercedes are certain to lead to sharp cuts in the workforce and significant economies of scale. Capacity at BMW, meanwhile, has been straining to meet demand this year so far. But the company insists that higher productivity rather than new capacity is the way to ease the pressure.

Then there is the "personality effect". The recent confirmation of Mr Jürgen Schrempp - a hard man from Deutsche Aerospace - as successor to Daimler's chairman, Mr Edzard Reuter, has reinforced expectations of continued restructuring at Germany's biggest industrial group.

At Hoechst, after only a few months as chairman, Mr Jürgen Dornann has administered a stern shaking to the chemicals giant's dozy bureaucracy. And although BMW was not in need of any morale-boosting, the group's new head, Mr Bernd Pischke, has already put his stamp on the company. Buying Rover was one coup; another was his successful handling of the backlash from the British group's disappointed partner, Honda.



Source: FT Graphix

## EUROPE

## Late-closing bourses ignore Dow's decline

After a reaction earlier in the afternoon to the US jobs figures and the decline in the Dow, late-closing bourses seemed disinclined to follow Wall Street down, writes *Our Markets Staff*.

ZURICH focused on the half-year report from UBS and the SMI index, steady for much of the day, gave up 14.5 to 2,600.8 as prices were marked down in the last hour of trading in response to a drop in US Treasuries. The index was little changed over the week.

UBS gave up SF24 or 2.9 per cent to SF1,150. Its 28 per cent fall in net profits was within analysts' expectations after last year's exceptional performance. However, a 68 per cent drop in trading profits came as a surprise and, said one analyst, outweighed some very positive indications for the second half of the year.

Bear Holding, which presented its own first half figures after the market closed on Wednesday, fell another SF20 to SF1,275, taking the two-day decline to 4.9 per cent.

Roche certificates pushed SF75 higher to SF5,600 on speculation that US investment houses which had down-

## FT-SE Actuaries Share Indices

Hourly change	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1408.48	1411.40	1412.25	1411.40	1411.25	1407.52	1405.48	1406.12
FT-SE 250	1448.04	1452.41	1453.23	1453.23	1453.23	1448.33	1447.19	1448.08

Hourly change	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1408.48	1411.40	1412.25	1411.40	1411.25	1407.52	1405.48	1406.12
FT-SE 250	1448.04	1452.41	1453.23	1453.23	1453.23	1448.33	1447.19	1448.08

graded their recommendations on the stock in recent months might be about to reconsider.

PARIS closed the week in subdued form with the CAC-40 index rising 10.59 to 3,107.07, up 1.6 per cent on the week. Turnover was FF3.4m.

Butyngues, the construction group, rose FF26 to FF669 following a broker's upgrade. The group's shares remained well below the year's high of FF752 seen at the start of the year, but interest has been renewed recently following its award of a number of construction projects.

Carrefour, the country's biggest supermarket group, was helped by a 5 per cent rise in July sales, the shares gaining FF22 to FF2,032.

AMSTERDAM was slightly

weaker in a day dominated by economic news, as well as confident expectations of next week's batch of results.

The AEX index slipped 0.12 to 419.87, 2.8 per cent higher on the week. Investors were encouraged by better than expected July inflation data, a CPI rise of 2.7 per cent comparing with analysts' forecasts of between 2.9 to 3.0 per cent.

Among groups reporting next week, PolyGram rose FI2.00 to FI82.00 and Unilever FI1.10 to FI196.00. Those which had already reported were mixed: DSM lost FI2.90 to FI140.00, but Akzo Nobel put on FI1.50 to FI219.70.

Hoogovens, the metals group which delivers second quarter figures next week, was also a favourite, rising FI1.30 to

FI78.20. MILAN was lower on modest foreign selling. The Comit index fell 5.94 to 703.96, in very thin trading, down 0.5 per cent over the week.

BCI dropped LI19 or 2.5 per cent to L4,943 after Creditanstalt, the Austrian bank which holds a 1.7 per cent stake, confirmed that it would not subscribe to BCI's capital increase on August 18.

Snia, Fiat's chemicals and synthetic fibres subsidiary, lost L34 to L2,428 in spite of a forecast from the chairman of much improved 1994 results after first half revenues rose by 10 per cent.

MADRID closed higher on continued strength in construction shares. FCC gained Pt640 or 4.9 per cent to Pt414,900, Dragados Pt70 to Pt2,280 and Uralita Pt35 to Pt1,570 as the general index finished 1.97 higher at \$22.00, 2.6 per cent better on the week.

Mr Christopher Cooper at James Capel London said that the construction sector could rise further on the growth of housing starts and cement sales. "Uralita is particularly recommendable, as they have been underrated in recent

months," said Mr Cooper. "I believe that they will reach Pt1,750 to Pt1,800 in the short term." FASA Renault gained Pt20 to Pt755, still reflecting the government's decision to continue subsidising new car sales.

STOCKHOLM, closing at a time when bourses were most sensitive to the US jobs figures, saw the Affärsvärlden General index close 11.8 lower at 1,485.4, 1.4 per cent higher on the week. Astra B consolidated overnight losses in the London market after Germany's suspension of the intra-venous use of its Lescoc anti-cancer drug, falling SKr4 to SKr188.

Written and edited by William Cochrane, John Pitt, Michael Morgan and Kai Wieding

## SOUTH AFRICA

Renewed domestic and foreign demand took Johannesburg higher in response to the more positive trend in bullion. The overall index added 39 to 5,728, industrials gained 51 to 2,111. Sasol gained R1.90 or 6.5 per cent to R31.25.

## LONDON EQUITIES

## LIFFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
At the Money	300	300	At the Money	300	300
100	100	100	100	100	100
200	200	200	200	200	200
300	300	300	300	300	300
400	400	400	400	400	400
500	500	500	500	500	500
600	600	600	600	600	600
700	700	700	700	700	700
800	800	800	800	800	800
900	900	900	900	900	900
1000	1000	1000	1000	1000	1000

## RISES AND FALLS

On Friday	On Friday	On Friday	On Friday	On Friday	On Friday
Rises	Falls	Rises	Falls	Rises	Falls
British Funds	26	83	12	203	102
Other Fixed Interest	0	0	15	5	3
Mineral Extraction	60	57	267	327	406
General Manufacturers	174	87	385	882	1,883
Consumer Goods	47	32	108	271	127
Services	102	60	543	564	1,254
Utilities	18	13	14	105	57
Financials	92	89	187	478	416
Investment Trusts	19	54	310	648	1,947
Others	15	45	189	242	229
Totals	612	515	1,504	3,611	2,285

Data based on those companies listed on the London Stock Exchange.

First Dealings: 25 August, 26 August, 27 October

Last Dealings: 25 August, 26 August, 27 October

Call: Aras Energy, Crossroads, OIL, Plantabank, Premier, Conco, Shoprite, Tullow, OIL, Puts: Crossroads, OIL.

## LONDON RECENT ISSUES: EQUITIES

up	down	high	low	open	close	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open interest	settle	volume	open 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## LONDON SHARE SERVICE

## BANKS

Share	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595
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## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998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Extend cooldown period for old stations, says report

## Deep burial 'best way' to rid UK of nuclear waste

By David Lascelles,  
Resources Editor

Deep burial remains the UK government's preferred way of disposing of the radioactive waste generated by Britain's nuclear power stations and research installations.

In a consultation document on radioactive waste management policy released yesterday, the Department of the Environment said this provided the safest, and most economical, permanent solution to the more dangerous forms of waste, such as spent fuel rods and contaminated equipment.

It also said that the period over which retired power stations are allowed to cool down before final dismantling could be extended from 100 to 135 years, in some cases.

The document was welcomed by the nuclear power industry because it stressed both commercial and safety factors at a time when the two state-owned nuclear power generators, Nuclear Electric and Scottish Nuclear, are hoping to be privatised.

Mr Roger Hayes, director-general of the British Nuclear Industry Forum, the trade group, said it showed the industry was on the right track.

But it was quickly condemned by opposition parties and the environmental movement for putting financial factors above environment and safety.

Simon Hughes, Liberal Democrat environment spokesman, said the government was "trying to cut down the cost in order to get shot of the problem".

The 100-page document forms part of the government's review of nuclear policy. Although much of it reaffirms existing policies, the results will have a key bearing on whether Britain builds any more nuclear power stations as ageing reactors are shut down.

The government's preferred method of dealing with high level nuclear waste from Britain's 20 nuclear sites is to use a process called "vitrification" to transform it into a kind of glass. It will then be left for 50 years to cool before being consigned to a permanent deep store several thousand feet underground. But the paper also says that nuclear operators can leave the spent fuel to cool in a dry store, if it makes more commercial sense.

The main shift in policy hinted at in the document is allowing nuclear operators to decommission spent power stations over a longer period. Both Nuclear Electric and Scottish Nuclear have been pressing for this. Stations could be left to cool down for 35 years after closure, and then left for another 100 years before final removal, rather than doing the whole job in 100 years.

Cost vics with safety, Page 6

## Gasprom stakes to be offered to western investors

By Chrystie Freeland in Moscow and Robert Corzine in London

Gasprom, the world's largest gas company and the "crown jewel" of corporate Russia, took the first concrete steps yesterday towards selling a significant minority of its shares to international investors.

The company, which controls 35 per cent of the world's known natural gas reserves, appointed Kleinwort Benson, the UK merchant bank, as its adviser for the sale of 9 per cent of its shares. "This is one of the most prestigious jobs the company has ever done," said Mr Philip Lambert, a Kleinwort Benson director. He declined to give details on the timing, pricing or structure of the deal, although "substantial progress" is expected by the end of the year.

The offering is likely to attract the interest of a wide range of western energy companies, some of whom already have co-operative agreements with the company. Financial investors are also expected to be attracted to Gasprom, because it is Russia's largest company and one of the few to be considered creditworthy by international banks.

However, it could further stir the debate in Russia between reformers, who argue that foreign investment is crucial if Russian oil and gas companies are to be competitive on the world market, and conservatives who say that national assets should not be sold off.

In this struggle Gasprom holds a powerful political trump card in the figure of Russian prime minister Viktor Chernomyrdin, who, as the former head of Gasprom, is sympathetic to the needs of the company.

Gasprom now joins the growing ranks of big Russian companies which have decided to tap international capital markets, including Lukoil, Russia's biggest integrated oil company.

The shareholding to be sold is owned by Gasprom itself. In addition, the Russian government will retain a 40 per cent stake, 15 per cent of which is owned by its employees. A third of the company was sold in the spring this year to the public for privatisation vouchers through a complex and restrictive auction system.

Gasprom, which is the largest exporter of gas to western Europe, will need to invest heavily in coming years if it is to expand its share of the growing European market for natural gas. Part of the money raised from the planned share sale is expected to be used to help fund a \$10bn (£6.4bn) 4,000km pipeline from the gas fields in the Yamal Peninsula in Siberia to Germany, via Belarus and Poland.

That task will be complicated by the vast debts owed to Gasprom by much of Russian industry and former Soviet republics, such as Ukraine.

## THE LEX COLUMN

# Manufactured optimism

After such a good run of economic statistics, the slight fall in UK manufacturing output in June comes as a bit of a surprise. There is not much ground for worry, though. In the second quarter manufacturing output still grew 1.3 per cent, faster than the economy as a whole. Given evidence of recovery on the continent, there should be increasing impetus from exports which in turn will limit the damage to the balance of payments from the UK's domestic recovery. Despite its hint of higher interest rates, the Bank of England is reasonably sanguine on inflation. The equity market has reason to look perky - which, after its 86 point rise this week, seems precisely to reflect its mood.

With economic recovery now well established, the equity market has less to worry about from higher base rates in the autumn. Trading statements from the likes of TI Group and Fortis are becoming more optimistic. So earnings growth should provide some decent momentum. But there are limits, not least concerning the degree to which equities can decouple from gilts.

Yields on ten-year gilts rose slightly over the past week. That is understandable since, however good the apparent news on inflation, it is hard to see why yields should fall when the economy is so strong. An equity/gilt yield ratio of 2.3 times looks reasonably comfortable, but equities now yield less than index-linked gilts. Growing expectations of real dividend growth are some compensation, but that relationship is nevertheless a constraint.

## Water

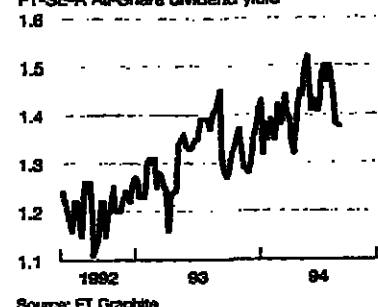
After a week of reflection, the new regulatory deal for the water industry is still to the liking of shareholders. Water company share prices have risen by anything up to 6 per cent since immediately before the announcement last Thursday. Yet initial enthusiasm has been tempered by the thought that real dividend growth of 4 per cent - which most water companies should be capable of delivering through to the end of the decade - is not exceptional judged against the prospects elsewhere. With long-term regulatory risks to consider as well, a yield premium to the wider equity market of around 30 per cent looks about right.

But the new regime should sort the leaders from the laggards more effectively. Five years after privatisation

FT-SE Index: 3167.5 (+17.0)

## UK Water Sector

Dividend yield relative to the FT-SE-A All-Share dividend yield



Source: FT Graphite

the equity market barely differentiates. Ignoring South West, which is appealing to the Monopolies and Mergers Commission, the yield gap between the highest yielding stock (Thames) and the lowest (Wessex) is less than one percentage point. Since companies have had no difficulty so far beating their regulatory targets, this level performance across the sector is not surprising.

Companies which can beat the tougher targets over the next five years - by keeping operating expenses and capital spending below budget - are likely to stand out from the crowd. Interim dividend announcements next autumn, the first under the new regime, could be the first indication of which companies are confident of doing more than the regulator has asked. Shareholders will have to ask seriously for the first time whether such confidence is justified.

## Halifax

Since turnover in the housing market has been rising this year, it seems strange that the Halifax Building Society feels the need to expand by buying up other people's mortgage books. Halifax argues that this is only part of a strategy designed to keep it ahead in the mortgage market, and it certainly is a less complicated way of expanding than buying another society. A number of centralised lenders are leaving the business - in the case of BNP because of its new management's desire to run down overseas retail activity. So it makes sense to pick up what is on offer.

Two other points speak in favour of such deals. While base rates are low,

lenders like BNP, who fund themselves with wholesale money are in a strong position. Once rates start moving up, institutions like Halifax, with a retail funding base, enjoy a relative advantage. Second, despite increased housing market activity, mortgage lenders still have to offer incentives on variable rate lending to attract business. That increases the attraction of buying ready-made loan portfolios.

The fact that mortgage lenders are choosing to purchase market share in this way remains a sign of underlying market weakness. Halifax says it can grow without such deals. The first half slump in Abbey National's share of the new mortgage market would have been more embarrassing had it not purchased the mortgage assets of CIBC. Without a greater flow of genuine new business, margins on mortgage lending look set to come under further pressure across the industry.

## Vickers

There is no doubt that Rolls-Royce Motor Cars needs the sort of supply agreements being discussed with Mercedes-Benz in order to spread its costs and risk. The question is whether Vickers' strategy for the business needs a complete overhaul rather than a bit of tinkering. Because of the specialist nature of its limited model range, Rolls-Royce's sales are always likely to be more volatile than those of broader-based manufacturers. This nearly proved the group's undoing during the recession, when Rolls-Royce careered into the red.

Since then Rolls-Royce's break even point has been halved to 1,300, which represents under 40 per cent of its peak sales in 1990. So the chance of the subsidiary once again threatening the life of the parent has been dramatically reduced, if not eliminated completely. Rolls-Royce is now back in profit and, once US sales recover, profits should ramp up rapidly - analysts estimate that every car sold above the break even point will generate up to £50,000 of profit.

Yet this does not mean that Vickers is the best place for Rolls-Royce which should be worth more to a larger luxury car group. After all the pain, Vickers has firmly declared its resolve to retain the business. Given its recovery prospects, most believe the group would find it hard to accept even the most generous offer now. But then, that is just what they thought about British Aerospace and Rover, until BMW drove by.

## Halifax in talks to buy BNP's £1.5bn UK mortgage business

By Alison Smith in London and John Riddling in Paris

Halifax Building Society is negotiating to buy the UK mortgage business of Banque Nationale de Paris, which has outstanding mortgages of £1.5bn.

The move would give Halifax, already Britain's largest mortgage lender, a further 0.5 per cent of the total UK mortgage market, lifting its share to 16 per cent.

The two organisations, which announced the move yesterday, expect the deal to be concluded by the end of this year.

BNP Mortgages will become part of Halifax Home Loans, the society's subsidiary which already administers some £1.1bn of mortgages acquired from other lenders. The company, which has 150 staff and 22,000 customers, is being bought as a going concern. In contrast to the position that

often applies when a large high street lender buys mortgages from a centralised lender - which sells through intermediaries rather than a branch network - BNP's customers on the standard variable rate are paying less than those of Halifax. BNP's rate is 7.59 per cent, while Halifax's is 7.64 per cent.

Halifax has set itself the aim of significantly increasing its share of mortgage lending. Its share of net UK mortgage lending carried out in 1993 was 18.77 per cent, while Abbey National, the home loans and banking group, was just behind with 18.74 per cent.

Mr Robert Amzallag, managing director of BNP's UK operations, said the mortgages were almost exclusively residential and almost all were on variable rather than fixed rates.

BNP Mortgages was bought by its parent company from Chemi-

cal Bank of the US in 1988. Mr Amzallag said BNP bought the company on the basis that large European banks should look to operate across Europe in retail banking in the post-1992 single European market.

However, since its privatisation last year, BNP has focused in markets outside France on wholesale banking, corporate lending and private banking.

Mr Michel Peberreau, BNP chairman, has said BNP is looking to forge commercial links with other European banks to expand its retail banking.

BNP is not the only French bank leaving the UK mortgage market. Birmingham Midshires, the UK's 13th largest building society, expects to acquire Credit Agricole's £800m UK residential mortgage book this month.

See Lex

## UK output

Continued from Page 1

better guide to the trend than volatile monthly figures - manufacturing rose by 1.3 per cent in the second quarter of the year, compared to the first quarter.

This leaves manufacturing output some 5 per cent higher than during the low point of the recession two years ago, albeit 2.6 per cent below the peaks reached during the last recovery in 1990.

Mr Anthony Nelson, economic secretary to the Treasury, yesterday welcomed the figure as evidence that the country was now seeing "broadly based growth", and this upbeat verdict was echoed by City analysts.

## Uncertainty over Abiola

Continued from Page 1

contract on the International Petroleum Exchange fell to \$17.85 in late afternoon trading in London, down 57 cents a barrel from the previous day's close.

A national strike, which began last week but was called off on Thursday to allow behind the scenes negotiations on Mr Abiola's release, was due to resume on Monday.

It was unclear whether the decision by the military government was the first step in a wider plan to deal with the crisis, or a short term expedient.

Should Chief Abiola, whose victory in the June 1993 presi-

dential poll was annulled by the military, press ahead with his campaign to claim the presidency, Nigeria may be entering a critical period.

Although Chief Abiola enjoys considerable support in and around Lagos, heartland of the Yoruba tribe, there is powerful opposition to him from the Hausa Fulani north and within the army itself.

Mr Adams Oshimole, deputy national president of the umbrella Nigeria Labour Congress, told Reuters news agency he understood that by the next sitting of the high court, set for August 16, the government would drop the treason charges.

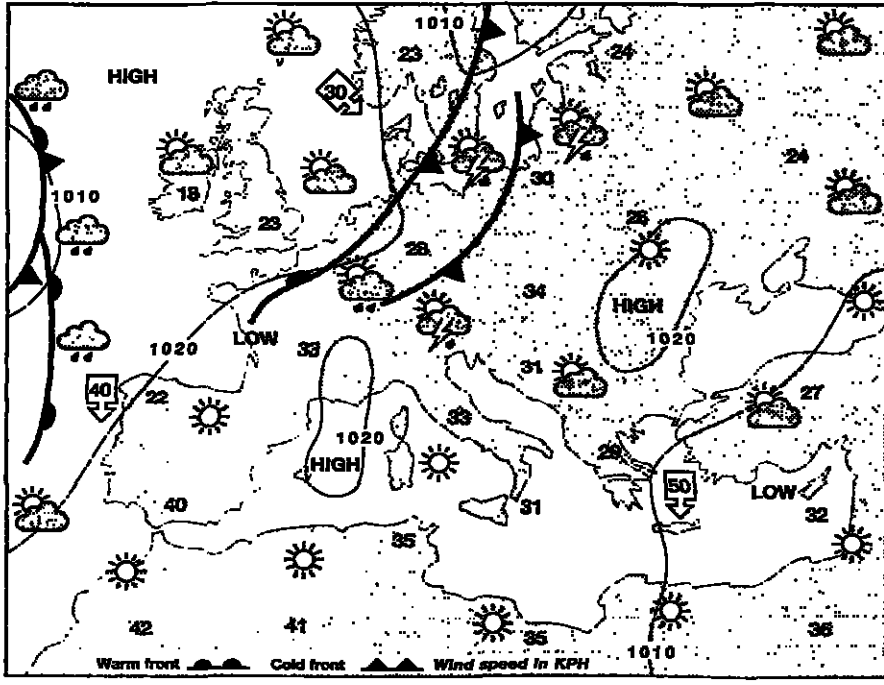
## FT WEATHER GUIDE

### Europe today

The transition zone between hot air on the continent and somewhat cooler air to the west will slowly move east, triggering widespread showers and thunder storms in France, the Benelux, northern Germany and Poland. Showers will be heavy with a risk of hail and strong wind gusts, especially in Poland. Isolated thunder showers will develop in southern Sweden, northern Spain and in the Alps. It will be mostly dry, but rather cloudy, in the UK. However, England will have an isolated thunder shower in the afternoon. Italy, Greece and south-east Spain will remain sunny and hot. Scandinavia will be cool and showery.

### Five-day forecast

High pressure will build over Scandinavia causing the transition zone between the warm and cool air to stall over northern France and Germany. As a result, much of central Europe will be sticky and thundery. Later next week, showers will spread into the Benelux and England but Scotland will remain dry with sunny periods. South-east Spain, Italy and the Balkans will continue hot. Scandinavia will benefit from the high pressure, with calm conditions and afternoon temperatures around 23C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

	Maximum	Belling	cloudy	34	Caracas	fair	28	Faro	sun	30	Madrid	sun	37	Rangoon	cloudy	26	
	Catania	Belfast	fair	31	Cerdit	sun	22	Frankfurt	thund	33	Malaga	sun	34	Reykjavik	fair	13	
Abu Dhabi	sun	37	Belgrade	sun	31	Casablanca	sun	30	Geneva	sun	33	Marla	sun	33	Rio	fair	25
Accra	fair	30	Berlin	fair	31	Chicago	fair	26	Glasgow	sun	31	Manchester	fair	22	Rio	fair	25
Algiers	sun	36	Bermuda	fair	31	Cologne	thund	30	Hamburg	fair	19	Marilla	cloudy	32	S. Paolo	fair	25
Amsterdam	showers	24	Bogota	cloudy	18	Dakar	fair	30	Helsinki	showers	18	Melbourne	showers	13	Seoul	fair	36
Athens	sun	32	Bombay	cloudy	31	Dallas	sun	35	Hong Kong	cloudy	27	Mexico City	thund	33	Shanghai	cloudy	32
Atlanta	thund	32	Brussels	thund	25	Delhi	fair	35	London	cloudy	25	Miami	sun	33	Stockholm	fair	24
B. Aires	fair	13	Budapest	sun	34	Doha	sun	38	Montreal	cloudy	27	Moscow	cloudy	25	Taipei	fair	33
Bham	fair	23	C. hagen	fair	23	Dublin	fair	19	Nairobi	fair	33	Paris	cloudy	27	Sydney	fair	16
Bangkok	rain	34	Cairo	sun	35	Dubrovnik	sun	32	Qatar	fair	31	Perth	cloudy	16	Tanger	sun	33
Barcelona	sun	30	Cape Town	fair	18	Edinburgh	fair	18	Jersey	cloudy	21	Munich	fair	31	Tel Aviv	sun	33
									Karachi	showers	32	Nairobi	fair	31	Tokyo	fair	24
									Kuwait	sun	43	Naples	sun	33	Toronto	rain	22
									Las Vegas	sun	30	Nassau	fair	31	Vancouver	cloudy	20
									Lima	cloudy	18	New York	sun	30	Venice	sun	33
									London	thund	25	Nice	sun	29	Vienna	fair	33
									Luxembourg	thund	27	Oslo	thund	24	Warsaw	thund	30
									Lyon	thund	24	Paris	thund	31	Washington	thund	30
									Madras	fair	25	Prague	cloudy	16	Wellington	cloudy	11
															Winnipeg	fair	32
															Zurich	sun	29

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# Weekend FT

SECTION II

Weekend August 6/August 7 1994

**I**t comes to us all, the sticky moment when we are expected to deliver some sort of judgment on a piece of art. It is especially sticky when we have not got the faintest idea what we are looking at.

I have accompanied friends to modernist exhibitions and failed entirely to understand their appreciation. At moments like these I am one of those people who find refuge in that lame line: "I don't know much about art, but I know what I like."

I like Impressionism. Why this is so I am not sure. I tell myself it is because of a certain use of light, a particular liveliness of brushstroke, a fidelity to visual experiences, and so on.

I have a sneaking suspicion, though, that I like late 19th century French painting simply because I have been more exposed to it than other kinds of painting. We all have. This is accessible art, purveyed to millions around the world. It is the art of the advertising world and of the postcard from Paris. Put a Monet, a Renoir or a Degas in front of me and I can look at it with familiarity.

It was with some trepidation, then, that early one morning not long ago I found myself in Paris and heading for a museum. Not to the Musée d'Orsay on the left bank of the Seine, home of a superb collection of Impressionism, but to the opposite bank, to the museum - the Louvre, which, while failing to house a single Impressionist painting or any other work created after 1870, is known by name to more people than any other museum in the world.

To me the Louvre was a total mystery - more than 25,000 works of art from every corner of the world and from every age of man. I had no hopes that the Louvre would provide any blinding revelations on art. But I did want to try to understand how people look at art there, and why the Louvre attracts more than 5m people a year. I had given myself a week to do so.

In the past the Louvre has been a monument to the ornate 18th century classicism favoured by Napoleon III, the last traditional renovator of this 800-year-old royal complex. Today it shares that classicism with the elegantly austere modernist architecture of I.M. Pei, chief designer of President François Mitterrand's 13-year-long, \$1bn (£600m) Louvre renovation programme. In spite of the dramatic contrast, the marriage is a happy one.

Pei's spectacular glass pyramid, which now forms the main entrance to the museum in the Cour Napoléon, is but the tip of the iceberg. Formerly badly organised, poorly lit and ill-equipped to receive masses of people carried on the wave of today's cultural tourism, the Louvre in its new guise is generally acclaimed a great success.

But if I had left behind busy Parisian streets and the familiar confusion of life, I had entered into a much less familiar confusion of art. At the reception desk below the pyr-



Bubble gum art: not everyone treats the sculptures in the Louvre with reverence

## A week in the Louvre

Nicholas Woodsworth doesn't know much about art so he went to THE museum to learn more

amid, I picked up a museum handbook. The Louvre has seven major departments: Oriental antiquities; Egyptian antiquities; Greek, Etruscan and Roman antiquities; objects d'art; sculpture; prints and drawings; and paintings.

Where to begin? Doubts assailed me. When it came to visiting museums, Bernard Berenson, pre-eminent art historian of the Renaissance, had some advice for his friends: never spend more than an hour in one. Any longer, he said, and the eyelids grow heavy, the legs protest and the spirit begins to numb.

Of all the schools of art the highly-praised principles and techniques of which I have failed to understand, this is the one I understood least, so before my resolve weakened, I made straight for the Grand Salon and the great works of the Italian Renaissance masters.

Summer-time visitors thronged the great long hall. In front of groups that were constantly settling, moving on and reforming, scores of *chef-d'oeuvres* stretched away into the distance before me.

I joined the crowds. I peered at Leonardo's *The Virgin, the Child and Saint Anne*. I gazed at Raphael's *The Virgin and Child with Saint John the Baptist*. I studied

Caravaggio's *The Death of the Virgin*. There are endless virgins in 15th and 16th century Italian painting, though none of them swept me away.

Nor did most of my fellow visitors seem impressed with the bulk of religious, classical and mythological paintings that dominated this part of the Louvre. Apart from those few works which are famous for being famous, few held most people's attention for long. Was it the paintings' fault, or ours? I began to feel depressed.

I was rescued by a man whose attention has been held in the grand galerie for a very long time

indeed. I met Amal Dagher in front of Reni's *Abduction of Helen*, a painting which he has been looking at for hours every day for more than two months. With brush and palette and easel in tow, Dagher has been a *copiste* at the Louvre for 23 years.

"It was like a bolt of lightning," he told me. "When I first came to the Louvre and saw the Italian masters I could not believe what they had done. Nothing in the world of modern painting compares to their technique." He pointed upwards to a frescoed ceiling, sanded foot. "Look at those toes. Not even a photo can get over the concept of toes as well.

Aren't they marvellous?"

Such accomplishments became a challenge, Dagher said. "I had to try what they had succeeded in doing. Each time I copied a painting I learned something, and each time I was sure that the next copy would reveal the master's secrets. I am still copying and learning today."

When I told Dagher that I enjoyed Impressionism but had problems looking at the paintings that so absorbed him, he laughed. "That is no surprise - so does everyone. Renaissance works are more difficult than Impressionist works. Technically - but also philosophically - it takes a long time to get to

know them. I have spent half my life here and still don't. Impressionism captures the passing moment. The classical master's work is more considered, the result of long reflection on themes without time. We have lost the habit of thinking and looking this way. We have to learn again. That is why the Louvre is a valuable place."

How, I asked him, should one go about looking at such a vast collection as the Louvre's?

"Follow your instincts," he said. "First comes enthusiasm. The rest - the study, the knowledge - can come later. But try to see things by period. It is the only way we can situate them."

My instincts were to get away from the huge numbers of people billowing into the grand galerie. Just a short stroll down the hall from the mostly neglected *Helen* hangs the most famous resident of the Louvre. I took a quick peek over the heads of the crowd gathered in front of Leonardo's celebrated work, but made no real effort at contemplation of the *Mona Lisa*.

It was hopeless. Like artillery barges on a busy front the cameras flashed, the video cameras rolled and the poor woman sat bunkered down behind a screen of tinted, hardened, madman-proof glass.

But I did enjoy talking to Rosa Andrades, one of the Louvre's 650 grey-uniformed museum attendants. They like change as much as we do. Rosa's favourite post is beside the *Mona Lisa*, not because she likes looking at the painting but because she likes looking at the people.

Why, I asked her, do people come to the Louvre?

"They come for all sorts of reasons, and behave in all sorts of ways," she replied. Only a third are French. Many foreigners come simply because the Louvre is as famous a French tourist fixture as the Eiffel Tower or the Champs Elysées. There is sometimes, it seems, a confusion between museum and attraction park. Sundays are Rosa's least favourite day: many parents bring families through a sense of cultural duty and end up in aimless wandering.

And what of public behaviour, I asked, in a place intended for private contemplation? The Japanese, she said, are obsessed with visually recording the whole experience. The Italians are ill-disciplined and good-natured. The Americans like to talk. The French can get shirty with everyone.

There was no reason for everybody to approve of the Louvre with hushed reverence, but surely, I suggested, everyone treated it with respect. Not always, Rosa laughed.

"Teenagers stick bubble gum on noses in portraits. Couples climb on to the Great Sphinx to be photographed. Statues are a great temptation - we find cigarettes between their fingers, sun-glasses on their heads, red lipstick kisses on their cheeks and other places."

What other places, I asked. Rosa

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Long View/Barry Riley

## New life for unit trusts

**U**nit trust companies are having a wonderful year. While rival savings media such as life assurance or even building societies are finding it hard to repeat last year's savings inflows the unit trusts are pulling in record amounts of new money.

For instance, the June figures just published showed net unit sales of a record £1.1bn and the second quarter pulled in an unprecedented £2.5bn even though the stock market was having a slightly rough patch at the time. At this rate net sales for the year could easily reach £11bn.

Unit trusts, the British variety of open-ended investment funds - the Americans know them as mutual funds and the French as *SICAVs* - have two big positive factors going for them. First, rival life assurance products are under a cloud because of regulatory attacks on the sales conduct of many big companies. And anyway, much tougher disclosure rules for life assurance came into force next January, when high commissions for intermediaries and crippling penalties for early lapsing will have to be made more obvious to investors.

Secondly, tax-free personal equity plans, which have primarily turned into unit trust vehicles rather than the direct equity investment plans intended by Nigel Lawson, have become very popular. Peps pulled in £1.1bn during the second quarter, nearly 30 per cent of total sales, and peps now hold unit trusts worth £10.4bn, about 11 per cent of all unit trusts in issue. The big advantage for the unit trust companies is that peps are very stable long-term investments. The money is rarely moved, whereas ordinary unit trusts are churned quite heavily.

enticing precedent is that of the US where mutual fund penetration was also only about 2 or 3 per cent in the 1970s but is now about 17 per cent.

Mutual funds have just overtaken life insurance companies in the US - but in the UK life companies are four times bigger than unit trusts. Furthermore this includes some double counting because many of the units are held in life and pension funds. Indeed, 4 per cent of the unit trust industry is being wiped out after this week's decision by Standard Life to wind up, for tax reasons, its £40m UK Larger Companies Trust, which has effectively been an in-house fund. Only about half the current £95bn worth of unit trusts are owned directly by private investors.

The opportunity for growth is indeed there, but some big changes of approach will be necessary if the British unit trusts are to achieve anything like the success of mutual funds. For example, unit trusts are excessively high in risk, being almost entirely focused on equities, and they need to expand into lower risk income products invested in bonds and money market instruments.

**T**hey must also keep their costs under better control. The performance of the average unit trust is far from satisfactory, largely because of high expenses. Although the high costs of life assurance products have become notorious the fact is that over 10 years a typical unit trust's costs to the consumer are only fractionally lower than on the average endowment policy, at 2.7 against 2.9 per cent.

However, unit trusts retain the advantage of greater liquidity: being lump sum investments they are not subject to early surrender penalties when the investor wants to sell. Also, they are transparent, whereas life policies are murky in terms of charges and subject to the erratic whims of actuaries when it comes to calculating the benefits.

But the likelihood is that unit trusts' costs will go up still further. This is

because of their dependence upon various kinds of intermediaries. In the US 30 per cent of mutual funds are marketed directly to the public, so that a lively sector consisting of low commission funds (no load and low load) has developed. In the UK the direct business is tiny - accounting for only 4 per cent of net sales in June, for instance.

Many of the UK intermediaries generate most of their income selling life products, which pay higher commissions than most unit trusts. If, because of so-called "hard" disclosure, life business is to shrink and unit trust volumes are to grow the brokers and salesmen will face a net loss of income. There is therefore an increasing demand from the intermediaries that unit trust companies should pay an annual "renewal commission", at ½ per cent of a client's unit holdings. One or two companies already pay this. But the typical profit margin is not large enough to absorb this cost, so there would have to be another round of increases in annual management charges.

In fact the unit trust industry's marketing weakness leaves it vulnerable to an effective takeover by the life industry. Until now the crucial continuing advantage of the life assurance industry, after the loss of many of its tax privileges, has been its ability, because of regulatory concessions, to hide its charges through "soft" disclosure and its use of aggressive sales techniques (including cold-calling).

Next year's "hard" disclosure regime will remove these advantages. So life companies will increasingly drop endowment contracts and other traditional life assurance plans and promote alternatives such as peps. The regular savings pep is already one of the Prudential's biggest-selling products.

From the investor's viewpoint the unfortunate result of all this could be less value for money. In principle unit trusts are excellent vehicles for medium to long term investment, but investors need to avoid some of the highest cost funds.

At least, with unit trusts, they can see clearly what they are buying.

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## MARKETS

## London

## Interest rate relief buoys market rally

Andrew Bolger

UK interest rates will have to rise soon - but, it appears, not just yet. For this relief, the equity market gave much thanks and the FT-SE 100 ended the week up 34.9 points.

Having got into a flap the previous Friday about a possible imminent increase in base rates, the City was relieved by the Bank of England's quarterly inflation report on Tuesday.

The Bank was not complacent, warning that the government could fail to meet its target of reducing underlying inflation to a 1-2.5 per cent range by the end of this parliament, unless interest rates were increased in the next few months. However, the Bank also signalled that there would be no rise before its governor and the chancellor of the exchequer next meet, on September 7.

The market's mood was further bolstered by a string of upbeat company results. British Petroleum lifted its second-quarter profits by more than 40 per cent. Economic recovery in the US and Europe helped its chemicals business move back into the black and the group said: "We are more sanguine about the spreading economic recovery."

TI Group, the specialist engineering and aerospace company, attributed an 11 per cent increase in pre-tax profits to buoyant automotive production in North America and growing orders from European manufacturers.

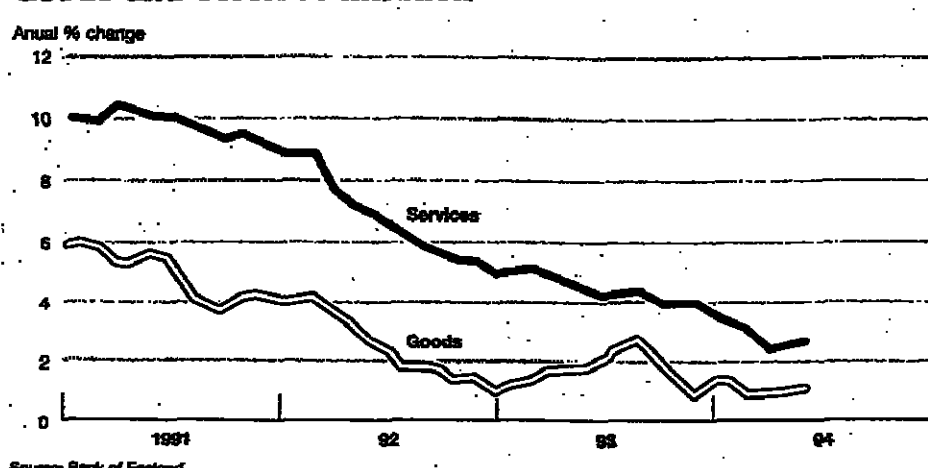
Glynwed International, the Birmingham-based engineer which makes Aga-Rayburn stoves and a variety of industrial products, lifted interim profits by 59 per cent and said five of its six operating divisions had increased profits. The group said confidently: "There is a lot of economic growth to come. The economic background is good."

A £100m restructuring charge did not impede a rise in the share price of Zeneca, the bioscience group demerged last year from Imperial Chemical Industries. Underlying sales and operating profits rose. The share price also reflected a market reassessment of the value of all pharmaceutical groups, in the light of Tuesday's \$5.5bn bid for American Home Products for one of its competitors in healthcare, American Cyanamid.

National Westminster Bank reported an 83 per cent increase in pre-tax profits, aided by a sharp reduction in provisions for bad and doubtful debts. Britain's second largest bank also lifted its interim dividend by 14 per cent, as a gesture of confidence.

However, NatWest warned that parts of the UK market were very difficult, and said it did not intend to lose its strong market share. In particular, the group said it might respond to the cut in authorised overdraft lending rates by

## Goods and services inflation



Source: Bank of England

year from Imperial Chemical Industries. Underlying sales and operating profits rose. The share price also reflected a market reassessment of the value of all pharmaceutical groups, in the light of Tuesday's \$5.5bn bid for American Home Products for one of its competitors in healthcare, American Cyanamid.

National Westminster Bank reported an 83 per cent increase in pre-tax profits, aided by a sharp reduction in provisions for bad and doubtful debts. Britain's second largest bank also lifted its interim dividend by 14 per cent, as a gesture of confidence.

However, NatWest warned that parts of the UK market were very difficult, and said it did not intend to lose its strong market share. In particular, the group said it might respond to the cut in authorised overdraft lending rates by

Abbey National, the home loans and banking group. Abbey National had the previous day illustrated the growing competitiveness in the sector by announcing a joint venture with Commercial Union, the UK's biggest insurer, to sell general insurance to personal customers.

The most striking example of competitive pressure came when Tesco, Britain's second biggest food retailer, made a knock-out £27m bid for William Low, the Scottish supermarket chain. That was £93m more than Tesco's initial offer, made a mere 18 days earlier.

The sharp increase in the bid followed the intervention of J. Sainsbury, Tesco's bigger rival, which had topped Tesco's first recommended offer of £154m with a bid of £210m. Sainsbury quickly said it would not bid any higher - apparently content that it had forced Tesco to pay a much higher price for Wm Low's 57 stores and Scottish distribution network.

Some questions were asked over how the board of Wm Low and its merchant bank advisers, Baring Brothers, could have recommended the original bid as "fair and reasonable". It emerged that Tesco had made its bid conditional on a board recommendation - and the Scottish group had felt pressured by a sudden deterioration in its trading position over the summer.

Baring said the only way to test whether more could be obtained for shareholders was by making the offer public, and letting the market decide. What few would have predicted - in particular Sir Ian MacLaurin, chairman of Tesco - was that Sainsbury would abandon its long-standing tra-

dition of not becoming involved in takeover battles. Sainsbury emerged well from the tussle, having demonstrated to the City that it was now prepared to become involved in hostile takeovers, but not to overpay. At the very least, it had the satisfaction of knowing it prevented a rival from picking up strategically important assets on the cheap.

More doubt surrounds the value of the victory to Tesco, which was still confident that the acquisition would enhance future group earnings - in spite of having increased its original offer by 60 per cent. Sir Ian said analysts who feared the deal would be dilutive underestimated how much Tesco could improve the performance of the Wm Low stores.

The Bank's inflation report said the continuing reduction in inflation, which the chart illustrates, reflected a squeeze in retail margins which has spread well beyond the food sector. It said: "Part of the reduction in margins may stem from a structural change in competition, but a significant cause is the continuing disinflationary effect of the recent recession."

The Bank said these disinflationary pressures would be moderated by the growing recovery in output. Share prices reflect the balance between investors' optimism over the improvement in corporate performance and concern about the inflationary outlook - and what that means for interest rates. As the market moves into the dog days of August, with more people on holiday and fewer companies reporting, further jitters could lie ahead.

## Serious Money

## Ancient pyramids found in Britain

Gillian O'Connor, personal finance editor

**C**ollapsed Russian finance group MMM has been besieged by anguished depositors in Moscow this week. The group's success had been based on selling shares in itself to millions of people.

The share price rocketed from £150 in February to over £100,000 and back down to £100 before the shares were suspended last week. MMM did not have anything to say about an underlying business: it was a share pusher, pure and simple.

Caritas, the Transylvanian pyramid scheme, which made millions of Romanians rich before it collapsed late last year, was a bit similar. It had promised investors a sevenfold return on their money in 100 days, and had no trouble meeting those promises - until the new money stopped flowing in. Some pundits argue that former eastern bloc countries are particularly vulnerable to double your money schemes, because they are only beginning to develop financial markets.

As the South Sea bubble was to Britain in the 18th century, and the Ponzi scheme to Boston in the 1920s, so Caritas and MMM are to Romania and Russia. And of course the proletariat in developing countries lacks the financial nous to distinguish between sound investments and scams.

The inference is that all the deeply sophisticated citizens of the Western world can tell a pyramid selling scheme from a 1,000 metres. Well maybe. But only this week the Department of Trade and Industry shut down a clutch of UK pyramid selling schemes operating under the apposite name of "Alchemy". Members' profits did not come from anything so humdrum as selling a product.

One of Alchemy's irresistible offers was that it would turn £140 into £600 - though it could not tell you how. The

DTI describes it as "redistributing" members' subs. Very Ponzi.

Alchemy was shut because it was "not in the public interest" for it to continue to recruit members. As the judge said: "Schemes of this nature are bound to fail because the pool of those willing to join is not inexhaustible."

Pyramid selling as such is not illegal in the UK. The DTI even has a handy consumer booklet telling would-be salesmen how to spot the dud ones. Some pyramid schemes, such as Amway, have been operating in Britain for more than 30 years.

Am-Who? The first thing any of its distributors (salesmen) tell you about Amway is that it is not, repeat not, a pyramid selling scheme. It operates a multi-level marketing strategy, which is entirely different. Indeed, the head honchos at Amway are exceedingly cross with the DTI for tagging it with the "pernicious label" - legal pyramids.

**O**ne important difference between schemes such as Alchemy and those like Amway is that Amway has a product to sell. Much of the money flowing into the group is sales revenue, rather than subs from new members. Based in Grand Rapids, Michigan, Amway has global sales of over \$5bn (£3.2bn). It is big business in Japan. And it has floated its Asia-Pacific subsidiary in order to make the push into China. It sells mainly basic products, such as detergents. It has around 50,000 UK distributors.

But a successful distributor's main money comes not from selling goods to the public but from recruiting new salesmen, and sharing their commission. Each salesman pays £70 to join, with an annual renewal fee of £15. New recruits are shown charts with scores of interde-

pendent, ever-widening circles. (The term pyramid is tempting.) They are told to make lists both of all the people they know and of all the people they might meet, and work out how to approach them. Some of the people high up in the - er pyramid - do make a lot of money. And successful distributors come from all over the world to seminars packed with wannabes.

The average amount earned by each distributor is around £1,300. But the top 1 or 2 per cent of the sales force mop up more than half total earnings of perhaps £38m. The hierarchy of distributors and bonus systems is mind-blowing.

In the US, Amway has sometimes seemed akin to a religious movement. A few years ago, for instance, rival soap giant Procter & Gamble successfully sued Amway distributors for spreading rumours that P&G and its products were instruments of Satan.

In Britain the seminars are described as very tasteful - none of this coarse American hard-sell. And a local network can often be traced back to some local dignitary, which is a great consolation for anyone who feels squeamish about peddling soap to his friends - or his friends to Amway.

All so much more sophisticated than Russian peasants buying shares in MMM. And quite different of course.

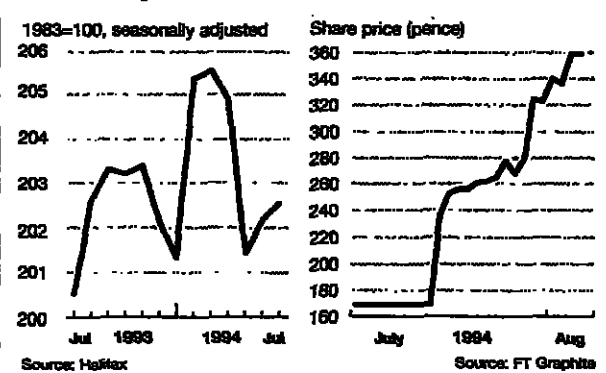
A real stockmarket rally - or just dead cat bounce? Robin Griffiths, technical guru at James Capel, is his normal passionately equivocal self. If the FT-SE 100 index can stay above 3,050 you can relax. (The dreaded head and shoulders pattern was a false omen.) But even if the rally survives, it will run out of steam at 3,200 and either until the autumn. Then you can expect a surge continuing into the start of next year. Now you know.

## AT A GLANCE

## Finance and the Family Index

How to find pensions advice ..... III  
Directus/The week ahead/New issues/ ..... IV  
Coping with negative equity/Bearings ..... V  
Executive pension plans/Annuity rates/Deposit rates ..... VI  
Q&A ..... VII

## UK house prices



## July increase in UK house prices

House prices in the UK rose last month compared with June, according to Halifax and Nationwide, but the two building societies differed widely on the extent of the increases. Halifax said prices rose just 0.2 per cent on average to £93,563, the second consecutive monthly increase announced by the society, which had reported price falls in April and May. Nationwide said that prices had risen 1.8 per cent last month, the biggest monthly rise since May 1991 and following a 0.7 per cent fall in June. Halifax said that the recovery in the housing market remains very weak and the possibility of further monthly price falls remains. Negative equity, page V

## Tesco acquires William Low

The fight between Tesco and Sainsbury, the UK's two largest supermarket to acquire William Low, the Scottish supermarket group, ended this week with Tesco victorious. Tesco, which had originally bid £225p a share three weeks ago, was obliged to increase its offer after Sainsbury stepped in, securing the deal with a final 360p a share. William Low's shares have more than doubled from the 168p they stood at before Tesco's original bid, having touched 368p before Sainsbury's withdrawal.

## Accolade for FT journalist

Bethan Hutton, one of the main writers for the Weekend FT Finance and the Family section, was last week named runner-up in the consumer section in the Longford Young Journalist of the Year Awards 1994. The panel of judges included Vincent Duggieby, Presenter of the BBC's Money Box - Live and Janette Rutherford, Abbey National professor of Financial Management at the Open University Business School.

## More smaller companies cheer

It has been another good week for UK smaller companies. The Hoare Govett Smaller Companies Index (capital gains version) climbed 1.5 per cent to 1,673.74 over the week to August 4. The index is down by 0.8 per cent since the start of the year but compares relatively well to the FT-SE-A All-share index, which is down by 4 per cent.

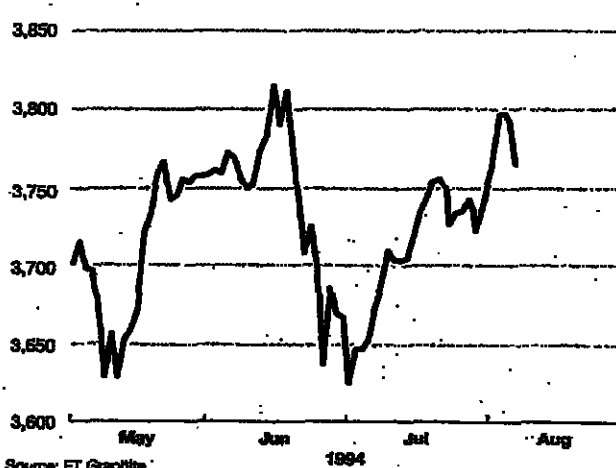
## Next week in Finance and the Family

Watch out for the regulator's review of the regional electricity companies next week. The market is whispering that it is going to be less tough than feared, and the shares have started moving up already. Next Saturday we will report the full details.

## Wall Street

## The roller-coaster takes another dip

## Dow Jones Industrial Average



Yet, there is a marked lack of agreement on Wall Street about what will happen to the economy over the next year.

There are almost as many opinions about the economic outlook as there are people to express them. Essentially, there are three camps.

The first camp believes that the economy is still growing too fast, that the Fed has not done enough yet to slow it

down, and that more interest rate increases this year are, therefore, inevitable.

The second camp believes the opposite: that the recent tightenings of policy are already taking effect, and that the economy will slow down in the second half of this year and on into 1995. This camp thinks that the Fed has gone too far with its policy tightenings, and the most

optimistic members believe that interest rates should come down, probably early next year.

The third camp is not so sure about where the economy is headed, feels on balance that the Fed is right to keep policy on hold for now, but is worried that the policy makers will suddenly sanction another rate increase when it is least expected.

The bulk of investors appear to be in this third camp, which explains why the market has failed to maintain any kind of firm direction this summer. In mid-May, the Dow Jones Industrial Average was as low as 3,639 - then it climbed somewhat erratically up to a high of 3,814 in early June, only to retrace its steps and tumble back to 3,624 by the start of July.

Since then, although the Dow has steadily regained its lost ground, there has been little sign of a genuine summer rally of the kind that many were hoping would emerge from an encouragingly positive second quarter corporate results season.

Which gets us back to inventories and jobs. The big

news in last week's second quarter gross domestic product report was a large jump in inventories, which the market's took as a sign that the economy was slowing. This judgment helped bond yields drop sharply, stock prices rise, and buoyed optimism that the Fed would not raise interest rates again soon.

This week, the market latched on to the July employment report, and another bigger-than-expected rise in non-farm payrolls. The result was a jump in bond yields and a decline in share prices yesterday as investors sold bonds and stocks in anticipation of another policy tightening from the Fed.

There will be no respite next week, when key inflation data for July will be released. In this up and down summer, so one expects the rollercoaster ride to end soon.

Patrick Harverson

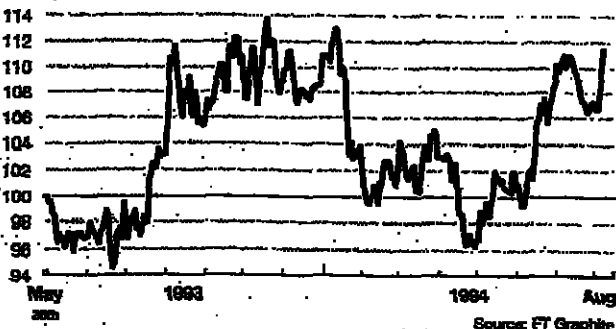
Monday	3798.17	+ 33.67
Tuesday	3796.22	- 1.95
Wednesday	3792.66	- 3.56
Thursday	3785.79	- 26.87
Friday		

## Bottom Line

## Seedy side of pharmaceuticals

## Zeneca

Share price relative to the FT-SE-A All-Share Index



around. For most of the 1990s, every agricultural company has had a rough time as a result of the European Community Common Agricultural Policy which cut the amount of land under cultivation. Zeneca says that the CAP recession has now bottomed out.

drug company American Cyanamid by rival American Home Products.

That figure represented a 50 per cent premium to the Cyanamid share price. But what provoked the City to re-evaluate Zeneca was the fact that Cyanamid has a highly profitable agricultural division: if one huge US corporation is prepared to pay over the odds for Cyanamid's drugs and agriculture operations, then another might get interested in Zeneca.

Compared with the excitement in agricultural products, Zeneca's drugs division gave a modest performance. Sales rose 6 per cent to £376m and profits rose 7 per cent to £320m.

The company was afflicted by the familiar set of ailments suffered across the drugs industry: sales of products that have lost their patent protection fell, with sales of heart

drug Tenormin dropping 24 per cent in the US. These were offset by good results from cancer and gynaecology drugs Zoladex and Diptivan, where sales rose by 33 per cent and 28 per cent respectively. Zestril, a heart treatment that has taken over from Tenormin as the company's biggest seller, improved 15 per cent to £238m.

The company's overall performance in the first half of 1994 is a far cry from what was envisaged when it demerged from chemicals company ICI two years ago. Then it was assumed that the buoyant drugs division was being held back by the staid and cyclical chemicals and agricultural operations.

Anyone who sold shares in chemicals company ICI and bought Zeneca when the latter achieved a stock market quotation in May 1992 would have spent most of this year regretting the decision. ICI shares have climbed a more-than-respectable 35 per cent or so since. Only with this week's events did Zeneca shares reach that level.

Daniel Green



FINANCE AND THE FAMILY

# Take care when you pick a pensions adviser

Independence does not always mean expertise. Debbie Harrison looks at the pitfalls to avoid

**T**he complexity of company schemes and individual contracts makes it virtually impossible and certainly unwise for non-professionals to take a D-I-Y approach to pension planning. Good independent advice is essential and it will not come free. Nor will it be easy to find. Essentially there are just two types of adviser: those who represent and are authorised to sell the products of only one company; and independent financial advisers (IFAs) who are supposed to select the best product on the market to suit your needs.

IFAs vary in their level of competence. They also vary in the way they are remunerated. Some work solely on a commission basis paid by providers on the sale of products. Others are fee-based and are paid directly by the client. Yet others take part of the commission from the provider and charge a reduced fee for each sale. And then there is a growing number who will operate on a commission or a fee-basis

depending on the client's preference: if you want to pay a fee, that's fine but if you want to pay by commission that's fine too. Helpful, perhaps. Confusing, certainly.

If you end up paying commission, the most flexible method is to pay a series of one-off "single premium" contributions since this avoids the heavy up-front commissions and related early termination penalties associated with regular premium contracts.

In theory, fee-based advice should be clean and simple. You should know exactly what you are paying and the adviser's remuneration is not linked to the sale of a product.

**How you pay**  
How you pay your fees should also be clean and simple but even here the life and pensions industry has managed to build in layers of confusion.

Many advisers who accept work on a fee basis recommend that the fee, once agreed, is deducted from the commission paid by the provider. In theory this has certain tax advantages. For example, you avoid

paying VAT on the fee since the adviser receives it in the form of commission from the provider. In the case of pension products, you also receive tax relief on the payment because it is derived from your pension contributions which are themselves subject to tax relief. Where the commission paid is worth more than the agreed fee, the excess is either reinvested in the plan or used to reduce the provider's charges.

However, you may end up paying more in commission than you intended, since the adviser will earn extra "renewal" commission each year and "incremental" commission when you increase contributions.

Moreover, even if the initial commission has been reinvested, the provider often leaves the early surrender and transfer penalties in place, so check this with your adviser.

**How much?**  
Fee based advisers charge anything from £30 to £200 per hour depending on whether you go to a local high street adviser or a leading firm of consulting



actuaries. For a simple case such as the purchase of a personal pension you should expect to pay a minimum of £250 to £400. Complex cases will cost more.

If you are only interested in a simple purchase then it is worth asking what the expected total will be. However, you

should also find out what future charges will be incurred if you need to change your arrangement.

**How to find a fee-based adviser**  
A good way to find a fee-based adviser is to use the register run by *Money Management*, the FT's monthly trade maga-

zine for the financial services industry. The register provides a database of 750 independent financial advisers, some of whom only work for fees and some of whom operate primarily on a commission basis but are prepared to negotiate a fee. When you contact the regis-

ter you will be sent details of six firms in your postcode area. To get your list, telephone 0272 769444 and be prepared to give your address including postcode and explain what type of advice you want. The specialisations offered include: life assurance; company pensions; regular savings schemes; unit and investment trusts; mortgages; personal pensions; health insurance; lump sum capital investment; and tax and estate planning.

A freepost address is available for written requests. The register information is supplied free (apart from the cost of the phone call which is charged at normal rates) and no salesmen will call as a result of your enquiry.

**Selecting your adviser**  
Once you have your list of contacts, you need to select the most appropriate for your needs. The register checks that the firm is independent and authorised to conduct business but it is important to appreciate that fee-based advice is not synonymous with expert advice.

You should ask the following questions:

- How long has the firm been trading?
- How long has it offered spe-

cialist pensions advice? (If it is a large firm, does it have a dedicated pensions department?)

- How many people can provide skilled pensions advice?
- What qualifications do they have and how senior are they?
- Can the firm provide tax planning services? (Pensions and tax interrelate, so this is important.)
- Can it provide a portfolio management service? (You may not need this if you already have your own stockbroker.)
- How many pensions clients does it have?
- How many clients in total?
- How many offices?
- If your adviser is away, who will look after your business?
- Does the adviser handle client cash?
- What criteria does it use to select a pension provider?
- What research resources does it use? Are these in-house or external?
- Does the firm provide regular updates on client accounts and/or regular newsletters?
- How much will the advice cost? Eg fees per hour/case?

*The Money Management Register of Fee Based Advisers, Matrix Data Ltd, Freepost 22 (SW 1565), London W1E 1EZ.*

## What's in a name?

**A**nnie Armandias is a senior sales secretary for London stockbrokers, Crosby Securities. The firm does not provide an occupational pension scheme, so she is keen to take out a personal pension plan to ensure an adequate retirement income.

Armandias read Weekend FT articles about the merits of fee-based advice and wants to find an independent fee-based adviser to avoid any commission bias on the selection of the plan.

We suggested she should try the *Money Management* register to obtain a list of firms in her area and follow the selection technique explained in the story above.

A list arrived promptly and Armandias set to work. "The register does not give any indication of the quality of advice offered, so it is essential to follow the selection procedure to find which are pensions experts and which simply sell pensions along with every other insurance product," she said.

Out of six names one in particular, Aspen Actuaries & Pension Consultants, seemed to meet all her requirements at a reasonable price. "This



Annie Armandias: wants the right advice

company I liked very much. They were courteous and explained everything precisely to me but did not make me feel like an idiot."

She said product selection was based on four main criteria: investment performance, expenses, administration and the stability of the organisation.

The firm is independent and has been trading for six years as a specialist pensions adviser. Aspen has seven fully-qualified actuaries who are also associates of the Pensions Management Institute (PMI). The rest of the consultants are training for professional qualifications.

The firm has 70 corporate pension clients and 250 individual clients.

Aspen's fee for a typical

personal pension is approximately £400, plus VAT, which can be paid by cheque or deducted from a commission. The rest of the commission would be reinvested in the plan.

Armandias was also interested in two other advisers but was concerned about the rate charged by one and the fact that the second would not give details of fees by phone.

If you have a straightforward request or problem to sort out, then getting a fixed quote for the job is vital. Advisers who take commission may be under pressure to sell but, with fee-based advisers, time is money and there may be a temptation to make the case more complicated than it is.

## Check for the best deal on charges

**P**ension providers do not have to reveal how much they deduct from your contributions to cover the cost of sales commission and their own administration expenses.

Instead they use a meaningless "standard charges" formula devised by the Life Assurance and Unit Trust Regulatory Organisation (Lautro) - the self-regulating body for the life industry - which enables high-charging life offices to disguise their true costs.

Life offices can use this confusing formula up to January 1 1995 but advisers can tell you what the real charges are now. Jolyon Minchin, managing director of independent adviser Pensionline, said: "Investors should ensure that their adviser has the technology to show real charges rather than the meaningless Lautro formula. If you are offered a Lautro-style quote, be suspicious and ask why."

Behind the scenes, life offices are in turmoil as providers gear up for the

end of year deadline. The ten largest providers said that they will be "more flexible" on charges after this date.

This means that you will be able to negotiate with your adviser on the amount of commission, if any, he receives from the life office on the sale of a product. Further, the adviser will have more scope to negotiate with the provider on the proportion of your premiums that are actually invested.

To take advantage of the expected reduction in charges, make sure that

your adviser is independent so that he can compare what is on offer and select the best deal.

Some two-thirds of regular premium life and pensions contracts are sold through company representatives - that is direct sales forces and "tied agents" which are authorised under the Financial Services Act to sell the products of only one life office. Even if a salesman knows that better terms are available elsewhere, he cannot tell the client.

Where does the smart money go when stocks are high and interest rates are low?

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Source: Investment, 1st and 3rd year figures based on offer to first performance. 1st May 1994 with gross income reinvested in US Dollar terms. The price of shares and the income from them are set as well as the net assets may not yet have the full amount of interest and dividends - see prospectus for details. Changes in exchange rates can also affect performance.

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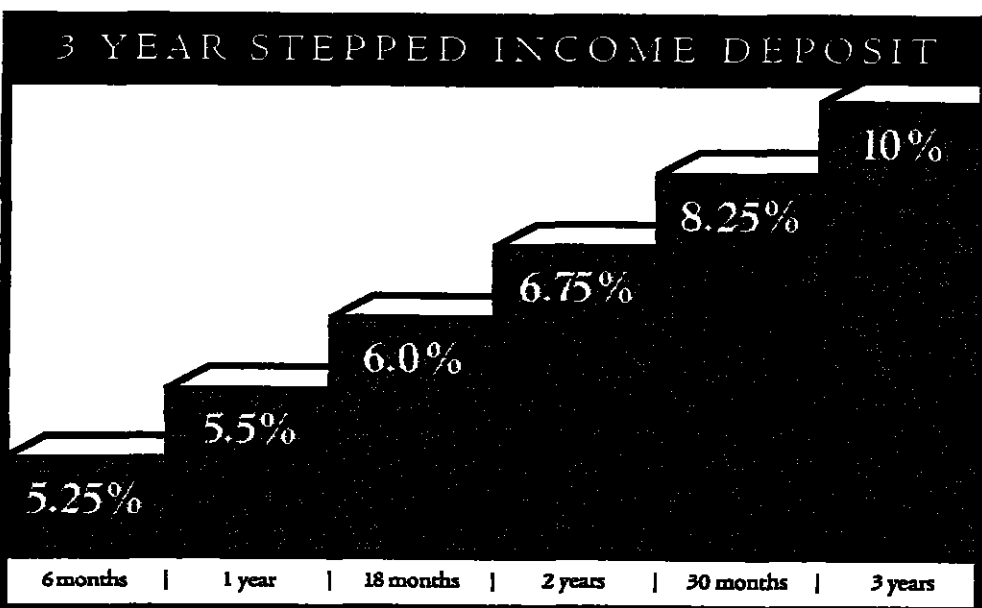
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## FINANCE AND THE FAMILY

### The week ahead

## Profits cheer

Three of the UK's largest composite insurers are expected to report substantially increased profits in their interim results next week.

The results will be boosted primarily by recovery in UK underwriting, reflecting high premiums and stable claims. Analysts warned that the balance sheets may be weaker as a result of the turbulence in equity and bond investments.

General Accident is set to announce its half-year results on Tuesday. Pre-tax profits of £177m-£200m are expected, against last year's £136m. The forecast dividend is in the range 10p to 10.25p, against 9.7p last time.

Commercial Union is expected to unveil its results on Wednesday, although the timing may be changed or separated from details of the way in which the insurer is to pay for its purchase of Groupe Vie, the French insurer, earlier this year. Analysts are predicting half-year profits of £188m-£189m, up from £88m. The dividend range is 10.1p to 10.25p, against 15.1p last time.

Royal Insurance is due to report on Thursday, with forecast profits of £127m-£150m, with an average of £138m. This compares with just £52m last time. The predicted dividend range is 3p to 3.5p, rising after

the company cut its dividends substantially two years ago.

Interim results this week for the two marketing services giants, Saatchi & Saatchi and WPP, are expected to reflect the growing confidence in a gradual worldwide recovery in advertising expenditure.

On Monday Saatchi is expected to report pre-tax profits of £13m-£13.5m, compared with £9.1m.

WPP's interim results on Wednesday are likely to show pre-tax profits of between £38m and £27m, compared with £24.1m in 1993.

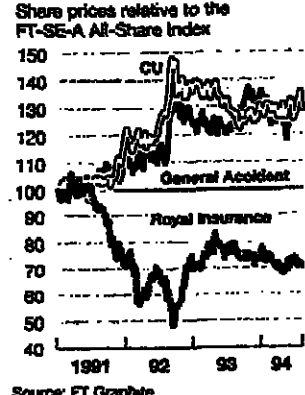
British Airways is expected to report strong first-quarter pre-tax profits on Monday with estimates of the range of £85m-£95m. It reflects the airline's strong traffic growth in the first quarter which has continued into the start of the second.

The resumption of dividend growth is expected at Barclays, when it announces its interim results on Tuesday. After it cut the full-year pay-out last year, analysts expect an increase in the interim to between 7.5p and 8p from last year's 6.5p. Bad debts will be down, leading to pre-tax profits forecast to rise to £870m-£770m from last year's £355m.

GKN, the engineering, automotive components and defence equipment group, is

#### Insurance companies

Share prices relative to the FT-SE-100 All-Share Index



Source: FT Graphite

#### New issues

Chamberlain Phipps, the shoe component and footwear group, is set to return to the market after a six-year absence with a placing and offer to brokers which values the company at £73.6m, writes Peggy Hollinger.

The company is placing 22.9m shares at 185p, of which 7.7m will be subject to claw-back for applications from brokers. Chamberlain was bought from Evode in 1992 by US investor Dan Sullivan and Legal & General Ventures for £12.2m.

The business has been rationalised and reinforced its strong hold on the UK market by snapping up competitor Larkhill Polymer. More recently, Sullivan has led Chamberlain into shoe manufacturing through the acquisition of two French companies.

The shares on a p/e of 10.5 times appear to have been reasonably priced, given the risk surrounding the group's move into footwear manufacturing.

There is, however, some discomfort over Sullivan's plans for aggressive equity-based expansion. There is also caution regarding the earnings incentives being offered to Sullivan, who already has a 25 per cent stake as a result of his initial investment.

Nevertheless, Chamberlain has room to improve margins. The offer closes on Tuesday and trading is due to start on August 15. The offer is sponsored by Samuel Montagu.

### Directors' transactions

#### DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & US\$)

Company	Sector	Shares	Value	No of directors
SALES	RMG	35,740	112,938	1
Gettersware	RMG	32,500	23,400	1
Camellia	OHF	5,000	127,500	1
Dalepak Foods	FDMA	28,342	23,708	1
Fort	LHJ	25,000	58,000	1
McKay Securities	Prop	10,000	19,000	1
McDonald & Co	Brew	4,000	19,200	1
Test Group	Test	2,000	10,000	1
Town Centre Sacs	Prop	10,000	11,800	1
PURCHASES				
2i Group	InvT	22,000	59,840	4
Carlton Comm	Media	3,500	31,295	2
Charter (inclon stock)	Div	2,851	17,282	4
Community Hspit	Hth	5,000	11,650	1
Compt People (open offer)	SSR	382,400	804,192	2
Dalepak Foods	FDMA	61,342	59,502	3
EFT Group (open offer)	OHF	262,330	128,542	4
Filofax Group	OSAS	40,000	79,500	1
McKay Securities	Prop	10,000	19,000	1
Microgen Holdings	SSR	24,705	32,117	1
Mosaic Investment	PPSP	70,000	18,900	2
West Trust	FDMA	75,000	27,750	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (7) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange July 25-29 1994. Source: Directors Ltd. The Inside Track, Edinburgh

#### PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (2000)	Earnings* per share (2000)	Dividend* per share (2000)		
Abhey	BSC	Apr	8,140	(2,850)	14.52	(4.08)	5.0
Andrew Sykes	BSC	Mar	4,740	L	(1,270)	-	(-)
Ashland	BSC	Apr	7,000	(2,300)	20.8	(6.4)	5.5
BCE	Can	Mar	786	L	(95)	(-)	(-)
Bend Sin	BSC	Apr	12 L	(14 L)	0.63	(0.44)	1.5
CRT	SpV	Apr	382	(8,300)	-	(4.22)	3.56
Crest Packaging	PPSP	Apr	4,800	(17,500)	9.2	(0.0)	2.75
Crown Eyeglass	Hth	Mar	530	(223)	22.4	(15.3)	9.5
Danish	BSC	Apr	3,800	(4,940)	L	(7.75)	(-)
Edinburgh Small Cos	InvT	Jun	122.58	(-)	(0.72)	(-)	0.21
Ewert	Prop	Apr	1,130	(56)	L	(5.21)	(-)
Fifth (Ed)	Eng	Mar	1,880	L	(5.88)	(-)	(-)
Formstar	Test	Apr	2,400	(2,200)	69.5	(63.78)	15.98
Gowenlock Inc	Brew	May	854	(764)	7.4	(7.4)	4.75
Gregorys Morris	n/a	Mar	3,330	(1,270)	7.1	(8.2)	(-)
Scott Pickford	CE	Mar	498	(237)	5.25	(0.83)	0.9
Spider Systems	n/a	Mar	719	(629)	(-)	(-)	(-)
Westport Group	BSC	Apr	448	L	(9)	(-)	(-)
Whitney Mobility	Prop	Apr	136 L	(2,440)	L	(102.74)	25.0
Williamson Tea	n/a	Mar	8,850	(8,520)	143.8	(102.74)	25.0
Woodcoats	n/a	Mar	1,840	(2,780)	4.3	(0.3)	(-)
Zellers	LHJ	Mar	1,020	(883)	10.1	(8.8)	8.5

#### INTERIM STATEMENTS

		Half-year to	Pre-tax profit	Interim dividend	
Company	Sector		(£000)	per share (£)	
Abey National	Bank	Jun	423,000	(501,000)	5.7
Allied Irish Banks	Bank	Jun	181,700	(142,000)	4.8
Anglo & Overseas	InvT	Jun	472.8	(427.1)	1.75
BAA	Trn	Jun	111,000	(102,000)	-
BP	Oil	Jun	640,000	(571,000)	5.0
Blagg	n/a	Apr	8	(1,500)	-
Cowdell	EngV	Jun	1,280	(893)	0.1
Cuppers Services	SpV	Jun	172	(82)	-
Cowle	Dist	Jun	20,550	(15,500)	2.725
Elan	Phm	Jun	8,440	(7,610)	-
Fairway	PPSP	Jun	1,360	(1,070)	1.2
Gwynedd Energy Pw	InvT	Jun	150.6	(112.3)	-
Gwynedd Int	Eng	Jun	28,100	(18,800)	4.15
Gowett & Co	OHF	Jun	13,800	(8,370)	11.0
Green Property	Prop	Jun	2,050	(893)	1.2
Hahn	InvT	Jun	1,250	(884.4)	-
Harlequin & Croft	Dist	Jun	59,900	(46,400)	3.6
Hiscox Select Ins	InvT	Jun	92.3	(-)	1.5
Holmes Protection	SpV	Jun	733	(133)	-
Joly Luffy	Dist	Jun	833	(2,250)	L
McAlister's Season	Mkt	Jun	45,800	(42,000)	6.75
Lloyds Bank	Bank	Jun	605,000	(468,000)	7.5
MidWest Bank	Bank	Jun	767,000	(419,000)	7.3
Newmarket Venture	InvT	Jun	58.0	(81.3)	-
Planer Systems	BSC	Jun	350	(252)	3.5
Reutons	Eng	Jun	6,710	(1,210)	-
Robur	Eng	Jun	6,880	(5,200)	1.9
Season	Trn	Mar	437	(818)	0.87
TI Group	Eng	Jun	99,800	(62,800)	4.05
TR Pacific Int Trust	InvT	Jun	100.4	(124.2)	-
Transcend	Prop	Apr	859	(1,800)	-
Viat	Test	Jun	1,080	(1,840)	-
Widens	Stale	Jun	8,780	(4,100)	0.5
Yardville Chemicals	Chem	Jun	7,170	(6,050)	2.75
Zawata	Phm	Jun	365,000	(361,000)	10.75

Figures in parentheses are for the corresponding period. \*Dividends are shown net of tax per share, except where otherwise indicated. L = loss. FT Net asset value per share. 2 = 2nd quarter, 3 = 3rd quarter, 4 = 4th quarter, 5 = 5th quarter, 6 = 6th quarter, 7 = 7th quarter, 8 = 8th quarter, 9 = 9th quarter, 10 = 10th quarter, 11 = 11th quarter, 12 = 12th quarter.

#### RIGHTS ISSUES

Slings is to raise £218,000 via a 1-1 at 2p rights issue of 15.9m shares. CRT is to raise £9.5m via a 2-9 at 85p rights issue of 11.9m shares. Raglan Properties is to raise £2.4m via a 3-4 at 25p rights issue.

#### OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Amesbury is to raise £12m via a placing of 12m shares at 100p. Chamberlain Phipps is to raise £27.7m via a placing of 22.9m shares at 185p. Chevening is to raise about £5.4m via a placing of 1.57m shares at 272p.

#### RESULTS DUE

Company	Sector	Annunc date	Dividend (p)		This year Int.
			Last year Int.	Final	
FIBAL DIVIDENDS					
Boulos Humber	GREE	Wednesday	2.45	6.95	2.55
Birklands Group	Med	Friday	-	-	-
CRT Group	SpV	Monday	0.65	2.15	0.75
Flamingo Enterprise Inv	InvT	Friday	3.4	3.4	-
Howard Holdings	B&C	Tuesday	-	0.5	-
M&J Wynd Ind Inv	JNTR	Monday	2.4	3.6	2.5
Tipton	Trn	Monday	4.8	14.4	-
Unit Group	PRSP	Thursday	-	-	-
Westminster Hill Care	H&B	Wednesday	-	0.5	1.75
Wyden Group	Dist	Tuesday	0.5	0.5	-
BETTERMAN DIVIDENDS					
Anglo American	Edn	Wednesday	-	-	-
BSC Group	Chem	Thursday	-	11.8	-
BPP Holdings	SpV	Tuesday	3.0	5.8	-
Barclays Plc	Bank	Tuesday	8.65	8.65	-
British Airways	Trn	Monday	3.18	7.82	-
CIA Group	Med	Thursday	1.46	3.88	-
CU Environmental Test	InvT	Tuesday	-	-	-
Capital Shopping Centres	Prop	Wednesday	2.0	2.4	-
City Merchants High Yield	InvT	Thursday	15.1	9.75	-
Commercial Union	InvT	Wednesday	0.125	0.55	-
Division Group	SpV	Thursday	1.25	2.75	-
Dorland Far Eastern	InvT	Thursday	1.1	-	-
Edinburgh Oil & Gas	Oil	Tuesday	1.25	2.75	-
English & Colonial Int	InvT	Thursday	1.1	-	-
Flamingo High Inc	InvT	Thursday	1.675	1.675	-
Flamingo Mercantile Inv	InvT	Thursday	1.08	-	-
Flying Horse	EngV	Wednesday	0.60	-	-
Foreign & Colonial Int	InvT	Thursday	1.15	2.57	-
Foreign & Colonial Int Ltd	InvT	Thursday	1.08	-	-
GKN	EngV	Wednesday	1.0	12.5	-
Gardiner American Soc	InvT	Monday	1.0	-	-
Gardiner Shared Equity	InvT	Tuesday	0.82	-	-
Gardiner Value Inv	InvT	Tuesday	9.7	17.8	-
General Accident	InvT	Friday	1.0	1.0	-
Medan MacLellan Hidge	Eng	Friday	2.85	5.15	-
Westminster Properties	Prop	Tuesday	1.8	2.4	-
Hollands Int	InvT	Wednesday	1.0	-	-
Hollands Chemical Hidge	Chem	Tuesday	1.0	-	-
Horizon Small Apparel	Text	Monday	1.0	-	-
Johnson & Johnson	Chem	Monday	7.0	30.0	-
Jupiter Ind Green Inv Trust	InvT	Friday	1.7	1.7	-
Kellogg International Inv	InvT	Tuesday	1.5	1.9	-
Litholite	B&C	Monday	1.7	2.85	-
London & Overseas	Trn	Wednesday	2.9	7.1	-
Microvision	SpV	Tuesday	-	-	-
New Ireland Hidge	n/a	Friday	-	-	-
Norwich Union Soc	SpV	Friday	-	-	-
Nichols JV (Vint)	SpV	Wednesday	2.16	-	-
Nightlight	Dist	Friday	-	-	-
Reed Executive	SpV	Thursday	-	-	-
Reed International	Med	Monday	6.0	12.0	-
Royal Dutch Petroleum	Oil	Thursday	-	10.75	-
Royal Ind Holdings	InvT	Thursday	2.5	5.0	-
S&P AB	Eng	Friday	-	-	-
Saschli & Saschli	Med	Tuesday	-	-	-
Shell Trans & Trading	Oil	Thursday	10.2	13.8	-
Smiths High Yielding	InvT	Tuesday	1.26	3.02	-
Strain & Nephew	Phb	Thursday	1.86	17.5	-
Stender & Thorndon	Bank	Wednesday	7.5	16.5	-
Thornton Part Euro Inv Trust	InvT	Monday	0.5	1.0	-
Trade Indemnity Group	Ins	Monday	1.0	-	-
Transatlantic Holdings	L&M	Thursday	6.0	6.0	-
Transport Dev Group	Trn	Friday	3.0	6.5	-
Unilever	FMG	Friday	-	-	-
Union	Offn	Wednesday	-	-	-
Walden Group	Dist	Wednesday	-	3.0	-
WPP Group	Med	Wednesday	-	-	-
Ward Holdings	B&C	Thursday	-	-	-
Wernley	L&H	Thursday	-	-	-

\*Dividends are shown net of penny per share and are adjusted for any intervening stock issues.  
†Dividends are not normally paid in cash but are available after the board meeting to approve  
priority refunds. 21st last penny, †2nd penny, †3rd penny, †4th penny



# FINANCE AND THE FAMILY

The Professionals

## Old firm with a longer view

Joanna Slaughter looks at Barings' distinctive ownership structure and approach

**B**arings is London's oldest established merchant bank and it has grounds for claiming that it first learnt how to judge markets as an 18th century merchant.

Barings' equity has always been privately owned, and the voting share capital is held by its senior executive management. The non-voting equity capital, which has exclusive rights to the dividends, is in the hands of the Barings Foundation, a UK registered charity.

Michael Chamberlayne, the chairman of the London-based private client division, argues that the advantage of this structure is that private clients know that Barings will remain wholly independent, and that it has a shareholder that understands and supports the long-term nature of its private client business.

The international dimensions of Barings' activities are reflected in the existence of three centres - London, Guernsey and Geneva - from which private client portfolios are managed. It has more than 50 offices in 31 countries, and its regional specialists conduct 2,000 company visits each year, including meetings with businesses operating in the smaller and more obscure markets.

Differences in the business terms of its three private client centres make Barings somewhat secretive about some aspects of its activities. It is tight-lipped about private client numbers and average portfolio turnover, for instance, and it cannot put a figure on the minimum investment required for a portfolio directly invested in shares.

According to Geoffrey Burnand, the marketing director, this depends on "who you are, where you are coming from and what you want." However, the minimum fee for management of a direct equity portfolio in London is £10,000 a year, although transaction charges are capped at £150, on the grounds that Barings prefers to charge for investment skills,

### Investment managers: facile?

#### Barings

Established 1762

#### Ownership

Number of offices in UK: One for private clients

Number of offices worldwide: More than 50 offices

Funds under management: £2.3bn (private clients); £2.2bn (group)

Number of employees: 1,000 (private clients); 1,500 (group)

Number of equities/foreign national private clients: Not disclosed

Barings' investment for private clients: £200,000 (minimum investment for direct equity investment)

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Barings: prefers to charge for investment skills not mechanics

lets money invested through collective funds.

Chamberlayne says: "Emerging markets are an area that the whole business takes very seriously. There are some private clients that view these markets as very high risk, but

I think that if you invest globally, and don't try the rifle shot approach, you can spread the risk. The other crucial thing is the length of the view you are prepared to take. I always take the view that the dangers of volatility are short-term."

Long-termism should come naturally to anyone steeped in the history of Barings. The bank took more than 30 years to realise a profit on the purchase of 1.25m acres of Maine, in 1797.

All private client fund managers have access to Barings' specialist stock-pickers, but there is no prohibition on buying stocks that the managers themselves have researched.

"One of our strong beliefs is that people should be involved in stock selection on the spot, and in the markets concerned," explains Chamberlayne. "We see the analytical role as a mixed role, rather than as a pure number cruncher. We think it is quite important for people to be operating in the real markets."

Turnover in the private client portfolios is low, and Chamberlayne quotes with some approval the guru who argued that turnover is a voluntary tax, so why pay it?

The asset allocation committee, which represents the three private client companies, meets once a quarter and tax considerations will dictate some differences between the allocations recommended for funds managed out of the different centres.

The current recommended asset allocation for a UK based fund is 16.5 per cent bonds and cash; 57 per cent UK equities; 7.5 per cent US and Canada; 7 per cent continental Europe; 2.5 per cent Japan; 5 per cent Far East; and 4.5 per cent emerging markets.

Chamberlayne comments: "Possibly the surprising thing about these asset allocations is the low exposure to Japan, which we have had for three years now. Our problem with Japan is principally one of valuation. We felt that the rating in Japan historically had got out of hand, and we didn't see why a private client, who does not have a formalised benchmark, should take that risk. We will be going back at some point, but I think we are looking for a period of consolidation. Japan is a very difficult one to call."

## Negative equity worries

**H**opes of negative equity - when the value of a mortgage is greater than that of the property - conveniently becoming a thing of the past were unsettled this week with the publication of a new report which found that house prices may need to rise by as much as 15 per cent to eliminate it.

The report, issued by the Joseph Rowntree Foundation, the social research organisation, was based on interviews with home owners in Bristol, Luton and Glasgow. It found a quarter of those with negative equity owed more than £10,000 above the value of their homes.

Although negative equity has been associated with first-time buyers, the report found that more than a third of those surveyed were buying their second or subsequent homes. Most were aged under 40, and many were in professional or managerial occupations.

A big factor in the creation of negative equity has been mortgage equity withdrawal, where borrowers raise cash by

securing it against the value of their home. As house prices increased strongly in the 1980s, many homeowners increased mortgages to finance home improvements, buy furniture, or even holidays, believing that the capital value of their home had risen sufficiently for them to be able to afford it.

Negative equity is not a problem for everyone. Those who are happy with where they live need not be concerned about notional values, so long as they maintain mortgage payments. It only becomes a problem for those who want to move.

■ Your lender If you do not have enough capital to move, the first step is to talk to your lender. Some banks and building societies have structured schemes but since individual circumstances vary greatly, it is worth approaching your lender even if the scheme does not appear to match your needs exactly. All lenders stress that only those with a good payments record are considered. Most

schemes are in the form of a loan larger than the value of the property to be bought. Abbey National, Halifax and Nationwide will all lend 125 per cent of the value of the new home. The maximum negative equity portion is £25,000; Halifax says that the average negative equity among its borrowers is £8,000-£7,000.

Abbey National says that, in some circumstances, it is prepared to allow borrowers to rent out their existing homes for short periods - usually six months - in the hope that house prices will have risen by enough to reduce or eliminate the negative equity. It usually charges a 2 percentage point premium on the second mortgage but this is waived for those with negative equity.

Anyone considering this, should seek professional advice about the tax implications. ■ Other lenders Few lenders are prepared to help borrowers other than their own. Those that do include Centrebank, the direct banking arm of Bank of Scot-

land, and Household Mortgage Corporation.

Centrebank offers a combination of a 100 per cent mortgage on the value of a new property, supplemented by a loan. The mortgage is charged at the Bank's standard variable rate, currently 7.64 per cent. The interest rate on the loan is two percentage points above the bank's standard variable rate to a maximum of £30,000 or 30 per cent of the value of the mortgage, whichever is lower.

The maximum combined mortgage and loan is £300,000 and there is a £200 fee, which can be added to the borrowing. The scheme is only available to those earning a minimum income of £25,000 a year or to a working couple earning £30,000 each.

Centrebank says the scheme is not confined to those with negative equity but is also open to anyone wanting to make a purchase but lacking the cash for home improvements.

The structure of the HMC scheme is similar but the interest rate on the loan element is higher than Centrebank's. The 100 per cent mortgage is at the lender's standard variable rate (currently 7.69 per cent) or at fixed rates of 4.99 until January 1996 and 7.69 until mid-1996. The loan portion, which is for a maximum of £7,000 or 10 per cent of the mortgage, is charged at a variable interest rate, currently at an annual percentage rate of 24.7. It is payable over 10 years or over the life of the mortgage but it can be converted into a further advance after five years and charged at the mortgage rate.

The fee for the scheme is £200 and it is open to those earning £10,000 a year. The maximum mortgage is £150,000.

■ Other measures If you do not need to move immediately and can afford to pay more than your monthly payments, one way of protecting against negative equity is to pay off the mortgage more rapidly. The least efficient way of doing so is by paying extra every month. Instead, tell your lender you want to make lump capital repayments, so that the lender reduces the capital sum sooner rather than later.

Home Owners in Negative Equity: Mortgage Equity withdrawal: causes and consequences. Joseph Rowntree Foundation, 40 Water End, York YO3 6LP. Both free.

Scheherazade Daneshkhu

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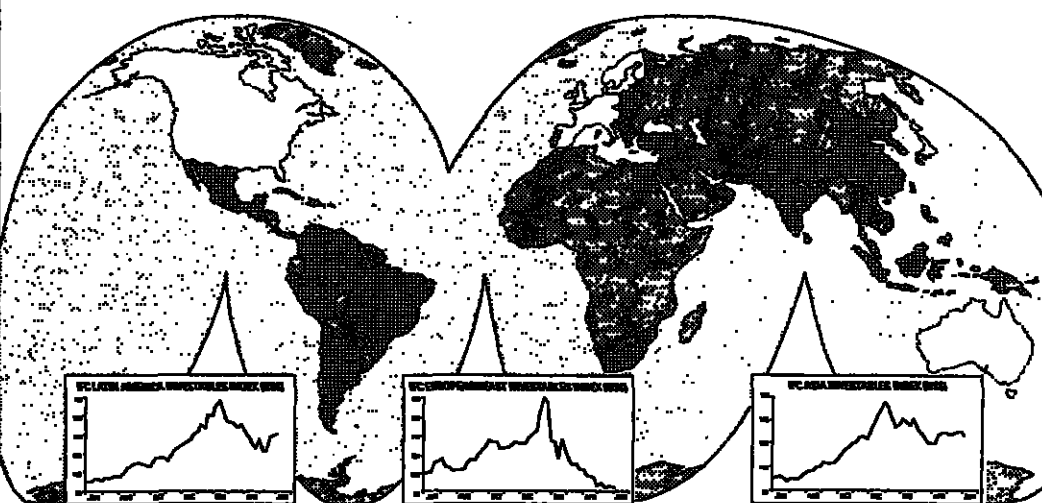
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## GLOBAL EMERGING MARKETS FUND.









MINDING YOUR OWN BUSINESS

# My shares in my name

## Q&A

### BRIEFCASE

I hold ordinary shares in a company in which shares are dealt in under Rule 535(2) - ie, a "matched bargain" basis. The company operates an employee share scheme. For the purposes of this, a value of the shares to be issued is agreed with the Inland Revenue each year.

I spent my working life with this company but am now retired. I wish to retain the balance of my shares and anticipate that, one day, they may yield a significant capital gain. I therefore wish, in annual stages, to move my holding into an "own choice" personal equity plan.

Would a sale of shares, and their immediate re-purchase into an own-choice Pep at a price demonstrably in line with present transactions in the company's shares, be acceptable to the Inland Revenue?

Can such a transaction be executed by my stockbroker without any risk of his "losing" the shares to a third party in the process?

In order to transfer your shares directly into a single company Pep, the Revenue must be satisfied that they have been acquired from an approved all-employee, savings-related share option scheme. A scheme which is restricted to, say, directors would not be acceptable.

The Revenue booklet IR 96 will give you more information and can be obtained by writing to the Revenue at Somerset House, London WC2.

The transfer into the single company Pep must take place within 90 days from and including the date that you direct the trustees of the scheme to transfer the ownership of the shares to yourself, or direct to the Pep manager.

The price must be the open market value of the shares for the date on which the transfer takes place.

The transactions can be achieved without any risk of "loss" because, if the time scale is adhered to, there would be no change of beneficial ownership. (Answer by Murray Johnstone Personal Asset Management).

## Understanding French funds

In 1983 my wife inherited shares in a small French Sicav (offshore fund) whose portfolio comprises international stock and shares.

If these were sold would any gain since January 1, 1984 be treated by the Inland Revenue as income under the legislation set-up to deal with roll-up funds? Although the annual income is paid to shareholders and my wife reports this to her tax inspector, there are few, if any, other shareholders

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and the Sicav managers have almost certainly not sought distributor status. Is there anything my wife can do to mitigate the taxation position?

The first step is for your wife to ask the Revenue whether the Sicav has been certified as a distributing fund. If the Sicav managers have not applied for certification, and your wife is consequently assessed to income tax on part of the gain realised upon a sale of part (or all) of her holding, she can serve a notice under paragraph 18(1) of schedule 27 to the Income and Corporation Taxes Act 1988.

"Without prejudice to paragraph 17... [see below], in any case where no application has been made under paragraph 15 above in respect of an account period of an offshore fund, any person who is assessed to tax for which he would not be liable if the offshore fund were certified as a distributing fund in respect of that period may by notice in writing request the Board [of Inland Revenue] to take action under this paragraph with a view to determining whether the fund should be so certified."

Paragraph 17 says: "No appeal may be brought against an assessment to tax on the grounds that an offshore fund should have been certified as a distributing fund in respect of an account period of the fund."

On the other hand, paragraph 19 gives your wife the right to apply to postpone payment of part of the tax assessed (subject to the risk of an ultimate charge to interest if certification is eventually refused), by giving notice to her tax inspector - after giving the notice under paragraph 18(1) but within 30 days of the date of issue of the notice of assessment - specifying the amount of tax which she believes has been overcharged, with a calculation to support that figure, and saying briefly why she believes that the Sicav qualifies for certification in respect of each account period since 1983. Failure to qualify for just one account period carries the same consequences as a complete failure to qualify.

Mr's decision against making the rules equitable, since the primary purpose of the rules is to raise money for the Treasury.



Better than the City: when he retired, General John MacMillan (above) and his wife Belinda decided to farm soft fruit

Stewart Cunningham

# The general in his strawberry field

Before John and Belinda MacMillan set up their little commercial fruit farm, they invited a horticultural expert to come out to see them. He approved of the site, gave them some tips and could not seriously fault their plans.

However his encouragement was somewhat restrained. "I take it you've got another source of income?" he inquired before he drove off. "That was in 1990. Lieutenant-General Sir John MacMillan was shortly to retire on his 59th birthday as commander of the Army in Scotland. He felt it was rather late to start a conventional business career and 'I didn't want to become a city gent'."

He and his wife wanted to live in the country. But, he says, "if you live in the country you've got to have something to do". They chose soft fruit growing because, as his wife Belinda says, "John has always had a knack for making things grow".

They bought Boghall Farm with its 33 acres in Stirlingshire. It faces south over the upper Forth valley with views to the mountains of the Trossachs. That year they planted their first acre with strawberries and raspberries. They now cultivate eight acres and grow currants and gooseberries and an acre of vegetables.

Soft fruit is the ultimate seasonal

business. The fruit needs to be sold as soon as it ripens during a season which in Scotland begins in mid-June and ends in September.

Having a market to hand is crucial because the MacMillans had been advised that soft fruit-growing was only economic if you ran a pick-your-own operation, with people helping themselves from the rows and paying by the punnet, weighed on the scales. Offering a few vegetables as well - "everything you would expect to find in a Victorian kitchen garden like spinach, courgettes, leeks and potatoes" - gives the business an edge over other fruit farms.

Boghall is ideal for pick-your-own because it is near tourist areas such as Stirling and the Trossachs, and not far from several caravan and camping sites. The MacMillans started by putting 250 green cards with a sketch map of their location under wind-screens in Tesco's car park in Stirling, and pinning them up at the tourist sites. "The most successful one was outside the ladies' loo at the Blair Drummond caravan park," Belinda says.

Pick-your-own took the MacMillans into a new world. Local customers came to buy fresh fruit or to make jam for their grandchildren. The MacMillans encountered people who drove from England for their holidays

every year and went back with their car boots full of fruit to stock up their freezers. People even make jam in their caravans, they discovered.

They found that far from considering picking hard work, people came because it was fun. Once a coach-load of Belgians descended on the farm. "It was like scavengers on the field of Bannockburn," says the general. "Their courier told me they had absolutely insisted she stop the bus when they saw the farm."

## James Buxton meets an old soldier with green fingers and a seasonal business

But there are snags about pick-your-own. A woman let loose on the spinach uprooted most of the crop: the MacMillans now insist on picking the vegetables themselves. Although the picking zones are fenced off, the pickers invariably stray.

A more important snag, John says, is that "the pick-your-owners are like butterflies. They only come out in the sun." It was therefore essential to supplement pick-your-own with pick to order, not just for busy or elderly

customers, but for shops and hotels. That business, accounting for about 20 per cent of turnover, is a less arduous affair. While pick-your-own may keep the MacMillans or their three helpers, on duty weighing punnets until about 10pm in the long northern summer evenings, some shops require fruit to be picked that morning and delivered by 10.30am.

Part of the key to success, MacMillan says, is maintaining quality. That, he says, depends more on following the rules than on having green fingers. But for the shops and hotels it also means keeping up a high standard of picking. Sensible pricing is another requirement. Pick-to-order is affected, but not dictated, by the price of imported Spanish or east European fruit. Pick-your-own prices are determined by what rivals within 20 miles are asking.

"We try to have a consistent price for the season, otherwise some people will hold off till the end, hoping it will drop," says Belinda. Even though the business is highly seasonal, soft-fruit farming is a long-term business. "It requires time and money. It takes 18 months from planting to getting your first crop of strawberries, and after four to five crops you have to let the land lie fallow for four or five years," says

John. They had to invest in plants, a small tractor, fertiliser and sprays, and at one point the overdraft reached £40,000.

Although pickers arrived from the start, revenue grew slowly. It started at £8,000 in 1991 and reached £26,000 last year. That produced a surplus of £9,000 after paying for labour and inputs.

John expects turnover to rise sharply this season before reaching a plateau next year and is optimistic about profits. Rotation is bringing some better land into use and yields from the fruit bushes increase steadily for a time as they grow bigger. Above all, far more people have been coming to pick this year, attracted by better advertising, word-of-mouth and sunny weather. In mid-July almost no fruit went to waste.

As the adviser warned, the MacMillans could not live comfortably off their fruit farm and still need their general's pension. But, at the end of a warm day, on which takings had approached £1,000, John was beginning to wish he had land on which to expand. And there is no suggestion that he does not enjoy biting autumn days in the fields cutting down the old raspberry canes. ■ Boghall Farm, Thornhill, Stirling, FK8 5QD. Tel: 0786-550693

# A searcher in the Louvre

Continued From Page 1

was not saying. But she did tell me what she thought was the strangest behaviour she had seen in her six years at the museum: a tourist marching crabwise down the corridors at high speed with a video camera to his eye, determined to take home an image of every single item displayed in the museum.

As befits a place presenting the vast spectrum of human creation, the Louvre is what you make of it. Leave behind the handful of objects that draw the great crowds - there are only a dozen or so - and you will find people gliding peacefully about near-empty corridors, absorbed in their own private worlds.

Nor are all tourists vulgar. Many take on the Louvre as Amal Dagher would have them do it: slowly and thoughtfully, following their own curiosity and preferences. Entering the secret world of art is never easy. Pierre Rosenberg, the Louvre's curator of paintings, told me when I visited his office: there are many different ways of getting inside it. As the days followed and I made my own way about as a tourist, I realised that we all have different motives and approaches.

In a room full of marble statuary I met an art student from Mexico who was there to study Greek proportion - she could not find it taught in any school. In the objects d'art department I chatted to a young French intellectual couple, members of the Société des Amis du Louvre, who each week pursue a different theme. This week it was the life and times of Henry IV.

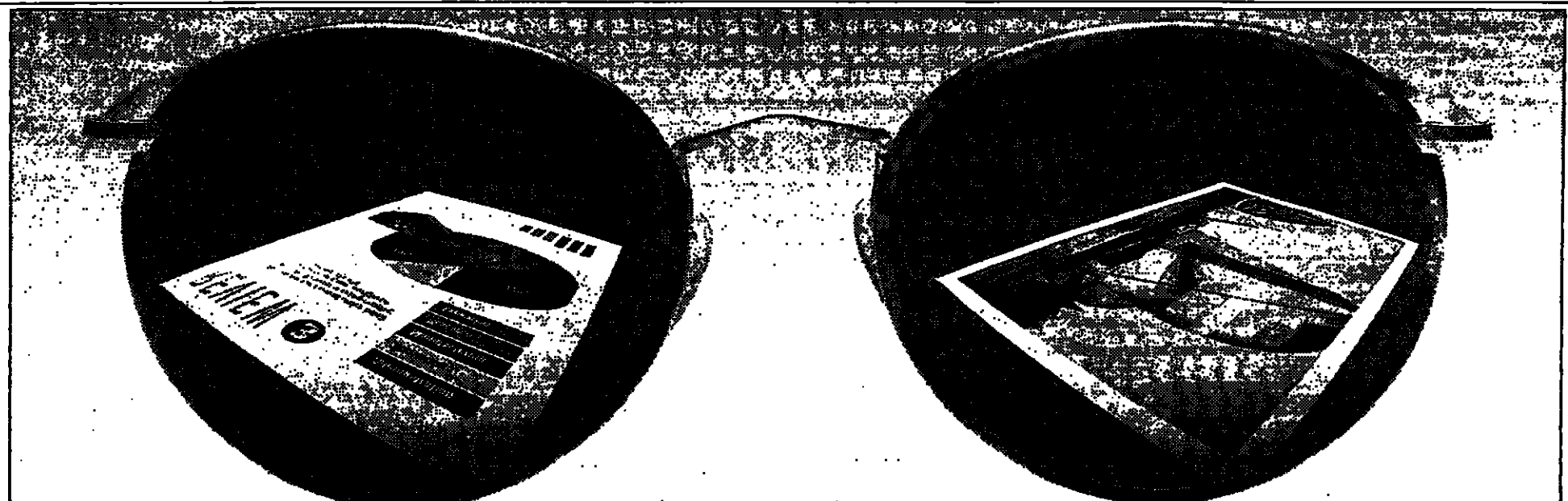
In the King François I room,

I watched an antique specialist, on his knees, explaining the arcana of 18th-century cabinet making to a group of connoisseurs. In the caryatid room I watched a class of round-eyed children ponder the marble-carved breasts and penis of the *Sleeping Hermaphrodite*.

And I made my own discoveries. I now covet the ceramics and silk carpets in the Louvre's Islamic art rooms. In the French painting rooms I found I was enjoying not only precursors of Impressionism, such as Corot, but much earlier French painters as well - Le Sueur, de la Tour, Chardin. I was seduced by the clean, sensual lines of Ingres, and came to dislike the pompous neo-classicism of David.

On and on it went. Dutch still-life, Burgundian medieval sculpture, Persian palace art, early Italian tryptics, Egyptian sarcophagi. Finally, late one afternoon, on the fifth day, I sat back in a reclining chair designed for looking at the ceiling frescoes in the Beauvais room. In a few moments the angels, doves, trumpeting muskies, and naked women flying about high above began to blur, and then faded altogether.

My eyes had closed. My legs were dead. My spirit was thoroughly numb. I was terminally struck with Benson's disease. I was not, I decided, going to take another step. I had seen a small portion of the Louvre. I had learned that there was art before Impressionism. But it is quite true - the secret world of art is hard to enter in an hour, a week, a month. My next visit would have to wait. The Louvre takes time.



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## PERSPECTIVES

Lunch with the FT

## Banker with a fine line in bonk chat

Lucy Kellaway is left breathless, after meeting the loquacious and outspoken Janet Cohen

"Can I afford the *soupe au poisson*?" Who am I going to breathe on this afternoon? Well, might Janet Cohen wonder. She could be breathing on merchant bankers at Charterhouse, where she is a part-time director. Alternatively, it might be fellow governors at the BBC. Or colleagues from the various companies and educational bodies where she sits on the board. Or her three children. Equally she might be breathing over the word processor at home as she dashes out 1,000 words an hour on her latest novel or thriller.

The afternoon ahead turns out to be a quiet one: back to the office at Charterhouse, with the most immediate task deciding who to ask to the BBC Proms. That leaves her free to have the garlicky fish soup, but she continues to study the italic scrawl on Soho Soho's oversized pastel-coloured menu, considering other options.

Her interest is professional. In her spare time she has founded various London restaurants, including the Café Pelican on St Martin's Lane, selling out just before the recession. She dismisses monkfish as "a caterer's fish", preferring the "panache de sole" and inquiring politely whether the FT's budget runs to it. I tell her that the sky's the limit, although privately I note that £13 is a bit steep for a small piece of fish. The restaurant, which she explains is owned by a good friend, seems to be neither one thing nor another: too trendy to be a routine expense

account place, too pricey to appeal to fashionable young people paying for themselves.

She is likewise hard to pigeon-hole. Parts of her CV are thoroughly establishment - the legal qualifications, the long career at the DTI, the seat on the board at Charterhouse, the job at the BBC. But the books tell a different story.



She has written four racy thrillers under the name of Janet Neel, and is now trying to establish herself as a serious novelist. Last month her latest book, *Children of a Harsh Winter*, was published - an unput-downable blockbuster about illegal arms deals, philandering MPs, borscht, child abuse, nervous breakdown, wife-beating and lots of sex.

I tell her how much I enjoyed her earlier book, *The Highest Bidder*. She looks pleased and says how much she liked it herself. This extraordinary volume, ridiculed by

Auberon Waugh for containing some of the worst writing on record, was a cross between a guide to management buy-outs and Joan Collins. One moment it was explaining the finer details of leveraged finance, the next the solicitor was kicking off her high heels and climbing into bed with a silver-haired cabinet minister. I loved every page of it.

I ask her whether we are really meant to believe that sort of thing goes on. She tells me - with considerable relish - about a dinner she had with a group of high-flying women. "One of them raved about the description of the affair, saying it was so well-described, so accurate. She is a few years older than me and is frightfully distinguished. She explained that the same thing had happened to 'a friend', but you could see it wasn't a friend at all."

In the book, a private detective is hired to find out what is really going on between the politician and the solicitor - a bit far-fetched, I thought at the time. But Cohen insists that a similar thing happened to her when she was involved in the privatisation of a national industry. Her (perfectly innocent) friendship with a senior official was deemed so fishy that private detectives were set on him.

Cohen's women friends may have loved the risqué detail, but what did her staid colleagues at Charterhouse make of all that heavy breathing? "They encouraged me to put more sex in so that it would sell



Janet Cohen: a reputation for speaking her mind

better," she says. "They are very unattractive. It's partly because they are Jewish, and are used to being kicked around by women." She proceeds to tell me that Victor Blank, the chief executive, secretly believes that women should stay at home, but is so accustomed to being yelled at by his wife, that he does not turn a hair when she gets similar treatment in the office. "He is used to strong women who speak their minds," she says.

Janet Cohen does not exaggerate about speaking her mind. As we discuss her varied career she says uncomplimentary things about every line of business she has been in. Over the years she has hoped from "one bastion of male prejudice to another", and has concluded that all men of her generation - she is 54 - are misogynists. The construction industry, where she worked in her 20s, and where her husband works

now, is a hotbed of fraud. Merchant bankers she describes as "a funny, uniform lot of people. Not very deviant". From her this does not sound like praise. As for ministers and civil servants, she is full of indiscreet tales of men "making policy on the hoof with their left hand".

She receives her fish without comment and eats it quickly, telling me as she does so, an anecdote (which I do not quite follow) about a meeting between a cabinet minister and the chairman of a big engineering company. "It was riveting to watch two grown men not speaking the same language," she says. The point of the story is clear: it was she who brought them together and did the deal.

Neither does the BBC get off free. She talks about the amazing professionalism, and likens it to "a well-run bit of the army". She professes great respect for John Birt, but can-

not resist pointing out that he "does not have a terribly user-friendly personality. He comes over as slightly autistic. But it's a good mind."

Greatly diverted by my lunchtime companion and amused by her indiscreet stories, I am nevertheless beginning to wonder if she is a bit of an exhibitionist. As the conversation moves on to *Children of a Harsh Winter*, I see that she not only knows her own need for attention, but has devoted the book to people like her. The premise is that people who have had a bad start in life often become very successful, usually in areas where they get a lot of attention. "They crowd the expressive professions. They go into politics, acting, writing, certain kinds of business, running a media empire rather than a steel mill." The BBC, she says, is crawling with them.

She comes to know about these deprived children because she was one herself. At the age of four her mother had a prolonged spell in hospital. At 11 her father died, and her mother went away. "I was left with a housekeeper and two distraught brothers. Nobody had any time to worry about us. You end up thinking: I want everyone's attention after this." She relates this in the brisk way that she relates everything, and does not change the tone of her voice to say to the waiter that she will not have pudding but would like a large espresso.

I protest that the book makes it look as if all children with difficult childhoods do well. She admits real life is not like that, and tells me (rather too casually) about the disasters her two younger brothers have made of their lives. Still, she insists that there is a syndrome there (the Russian proverb is: "children of a harsh winter grow up strong"), and says she can spot them anywhere.

"Am I one?" I ask. She requests details of my job history, which I provide. "The fact you went for journalism suggests it," she says. "But you've had a rather steady career, not too flashy. You do have a column with a photo on it, that is attention-seeking and usually means a difficult childhood somewhere."

My childhood was fine, I tell her, but she does not seem bothered. As the bill arrives we talk about her career as a restaurant proprietor, and she, child of a harsh winter to the last, tells me how much fun it was to be called Madame at the Café Pelican and how there is not a member of the cabinet she has not lunched with there.

On the way out we go to the lavatory together, having drunk a certain amount of wine, and an even greater amount of water. She keeps up the chat from the next door cubicle, telling me authoritatively that the Evening Standard's early account of that day's cabinet reshuffle was pure gossip. Out in the blazing heat she insists I take the first taxi, and waits for another to bear her back to the bank.

The Nature of Things

## Jupiter's shockwaves

Clive Cookson on how a comet's bombardment has sparked activity on Earth

Jupiter bears the dark scars of last month's cometary bombardment. Any amateur astronomer with a telescope can see a band of bold black marks across the giant planet, some as large as Earth.

The 21 fragments of comet Shoemaker-Levy 9 also made a powerful impact on the public imagination - partly because professional astronomers had prepared the ground well, for example laying on press conferences to brief the media about what some predicted would be the greatest cosmic spectacle since the invention of the telescope. Fortunately the show lived up to the advance billing.

Why did it arouse so much interest and excitement? Although the television pictures were impressive, showing fireballs and debris rising hundreds of miles above Jupiter's thin atmosphere, we have seen more spectacular views from space. Think of the close-ups of Saturn's twisted rings taken by the two Voyager spacecraft in the 1980s, let

alone man's first steps on the moon 25 years ago.

And for us as individuals, what we see in the heavens with our own eyes - for example an unexpected shower of shooting stars or the flicker of the Northern Lights - surpasses in beauty and visual impact anything we experience through the electronic media.

The great appeal of Shoemaker-Levy lay in the event's unscripted cosmic violence, spiced by imagining what would have happened if the series of kilometre-sized rocks had hit here instead of Jupiter. They would have wiped out most life on Earth, just like the giant meteorite that is believed to have ended the dinosaur era 65m years ago when it left a crater stretching 180km across what is now Mexico's Yucatan peninsula.

The dark marks smeared across Jupiter's southern hemisphere are dust and/or soot thrown into the upper atmosphere by the explosion of the cometary fragments. Astronomers expect them to persist for

many months. On Earth, that much smoke and dust would plunge the whole planet into a sunless, icy "impact winter". As human agriculture and natural food chains collapsed, few living creatures could escape starving or freezing to death.

Earth is a far smaller target than Jupiter; its surface area is 100 times less and it weighs 300 times less. But the bombardment of Jupiter has strengthened the hands of those who argue that we are at greater risk of destruction by an aberrant asteroid or comet than astronomers had believed - and that we should be doing something to protect ourselves.

Over the past 20 years or so, the view that Earth's history is punctuated by cosmic cataclysms has moved from the bizarre sidelines of astronomical theory to the mainstream. A respectable estimate now is that for an average American or European the likelihood of dying because a comet or asteroid hits Earth is similar to the chance of

being killed in an air crash: about 1 in 20,000.

In Washington, the Shoemaker-Levy show has convinced doubting politicians that the risk is real - not just a ploy by astronomers to extract federal funds. Congressmen are rallying to support plans to spend \$250m over the next 20 years on an early warning network of telescopes. The proposed Spaceguard system would map the estimated 1,000 to 2,000 asteroids and comets whose paths may cross Earth's orbit around the sun.

Spaceguard would give warning times of impact with Earth ranging from several decades for an asteroid with a circular orbit to perhaps a year for a comet with a highly elliptical orbit. That might or might not be long enough to send a rocket to detonate a nuclear weapon and deflect the intruder into a non-threatening path.

However, for the thousands of astronomers, amateur and professional, who observed the Jovian bombardment and are watching its



aftermath, the implications for Earth are very much a secondary consideration. They are interested above all in learning as much as possible from the collisions about the nature of Jupiter and of comets.

Few firm scientific conclusions have emerged yet from the vast mass of observations. Previous space spectaculars, such as Voyager's planetary fly-by and Giotto's encounter with Halley's Comet, were based on specific spacecraft, co-ordinated by mission controllers. The Shoemaker-Levy collision,

in contrast, is a free-for-all with no one in charge.

An unprecedented amount of data flew around the world's computer networks during the bombardment, as astronomers exchanged the latest news by electronic mail; indeed the event was said to have caused the first serious jam on Internet. The lines are now humming with preliminary thoughts about what to make of it all.

Key questions still to be answered include: how deeply the comet's fragments penetrated Jupi-

ter's atmosphere before they exploded; whether they arrived as solid lumps or as loose aggregates of ice and rock; and what chemicals were thrown into the upper atmosphere from the lower levels.

Shoemaker-Levy may have faded from the headlines but its marks on Jupiter are proving longer lasting than astronomers had predicted. For Earth, its legacy will be a better understanding of planetary science and - conceivably - an early warning system to save us all from a cosmic cataclysm.

Gardening/Robin Lane Fox

## The flower of France

Unless it continues to rain for a fortnight, I might as well have been gardening this summer in France. The English myth is that only the agree, because they only see the difficulties. In France, lawns are impossible. Hired gardeners do odd things to clematis. French nurseries are supposed to sell none of the things which we all like in Britain. A hundred years ago, French breeders were raising most of the shrubs which we all scramble to grow nowadays: is there really no good nursery, I have been asking myself, between Dieppe and Nice?

In English folklore, expatriates have to take their plants with them. A few bushes of lavender may turn up in a local market; you might hit on a specialist grower of one variety for the makers of women's scents; otherwise, it is back to Hilliers, of Hampshire (tel: 0784-368733) no longer with an export licence since the EC rules relaxed for imports from approved nurseries last year.

As often, expatriates are doing their new home down. I picture some of you, travelling or sweating in France this month, and I hope you will enjoy my sharing of addresses and nurseries which seem to be completely unknown to most of my fellow gardeners.

I owe them to the essential starting-point for ambitious gardeners in France: next May, go to the amiable flower-show at Courson near Paris, published at the Domaine de Courson, 91690 Courson Monteloup.

The organisers, Patrice and Helene Furstier, described to me how even they did not know what to expect when they first advertised for exhibitors. The Courson show has drawn little-known nurseries

from overlooked addresses and, with their help, I have weeded out a selection of the best throughout France.

The English myth is that only the English are growing the old-fashioned roses of France. I now see that this is untrue.

At Domaine de la Plaine, Chamagne, 39460 Crémieu, in the Rhône-Alps region, Jean Pierre Guillot quietly presides over a family nursery of roses, founded in 1829 when our own Peter Beales was doing something else. The Guillot family

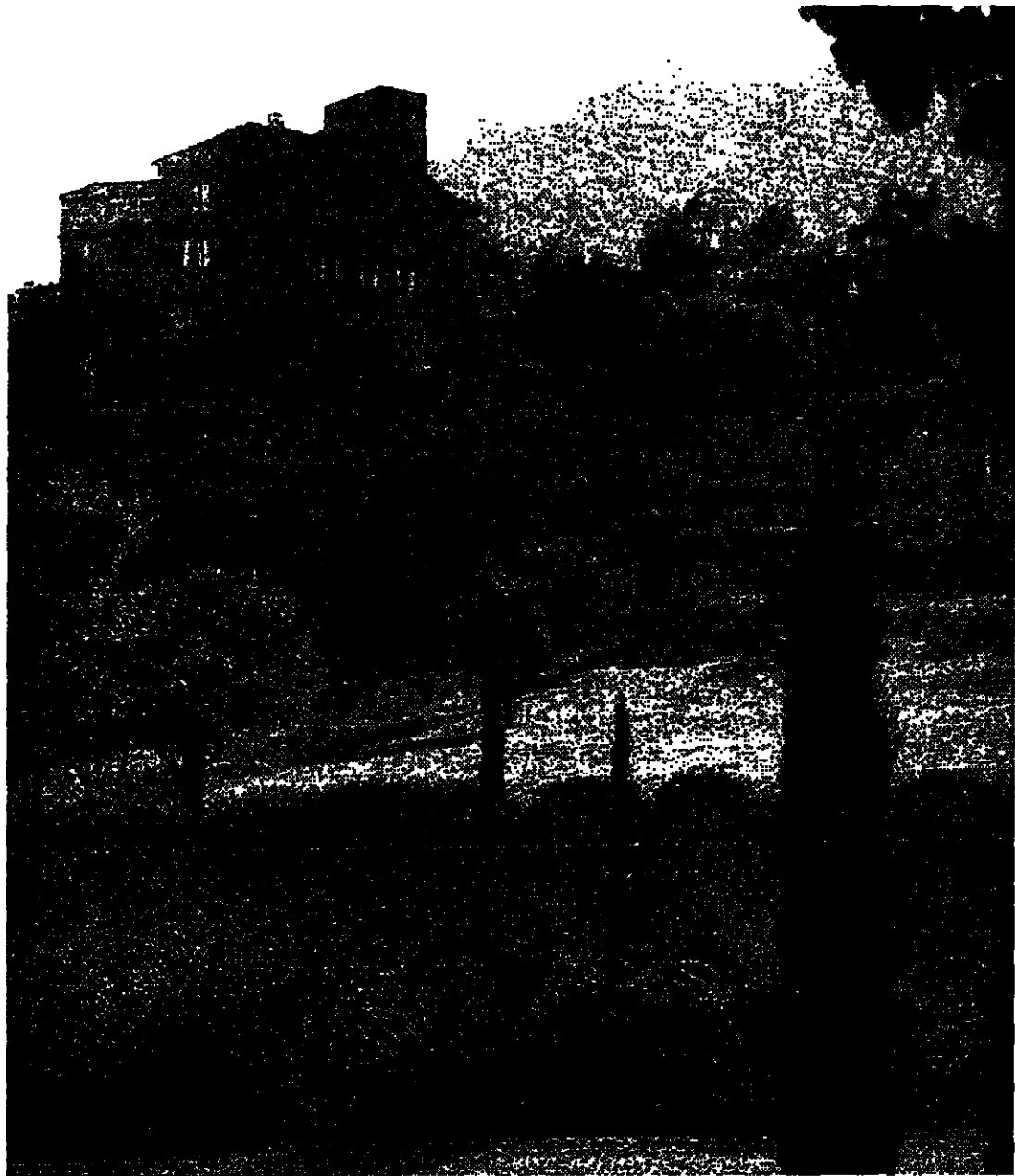
at the Château de Gaujacq, 40330 Gaujacq, Jean Thoby still lists hundreds of varieties along with hostas, peris and the types of shrub which expatriates remember in Cornwall. French lilacs and deutzias also used to be famous, but some of them survive in the good list of Maurice Laurent at Les Granges, 69560 St Romain en Gal: he is also great with viburnums, honeysuckle and orange blossom. As for irises, there are natural companions, you can buy enough to satisfy anyone by applying to Richard Cayeux, La Carcau-

French public parks. I am also impressed by the fine catalogue of the Filippi, two botanists who specialise in plants for dry and difficult places at Route Nationale 113, 34140 Meze, in Languedoc.

Near the channel, the challenge is different and many good nurseries reflect it, of which I would single out Martine Lemonnier at Beaumont-le-Hareng, 78550 Boissy-le-Hareng. Amazingly, it sells and grows more than 30 varieties of blue Himalayan poppy. They will direct you to other local experts, but I would like to put in a good word for Paris. There, you can buy the latest blue Corydalis and hellebores from the aptly-named Émile at the Jardin d'Acclimatation, Bois-de-Boulogne, Paris 75116. Although English residents seldom realise it, French style would not be French without the world of fantasy: the yearly prizewinners at Courson are Jardins Imaginaires, which may be as far as most of you wish to go at 9 Rue d'Assas, 75006 Paris.

For range, advice, and innovation, which is the best general bet? Unanimously, the experts refer me to Luc-André Lepage, at La Fontaine, Chemin des Perrins, 48130 Les Ponts de Cé in the Loire. Two years ago, almost every one of these established nurseries was unknown to me and I have never seen references to them in any English books or endless magazine articles.

The compost may still be spread very thin across the country. But it is quite untrue that good nurseries no longer germinate in France or retain their old roots. As always, it pays to hunt with the professionals: I hope that my list of addresses directs you to an unexpected opening for that friend, home or holiday across the Channel.



One of the spectacular photographs by Vincent Motte from "Gardens in Provence" (Flammarion, 26 rue Racine, 75006 Paris).



## TRAVEL / PERSPECTIVES

## The red tribe of the Namibian veldt

Nick Haslam drives across Kaokoland, one of the last great stretches of African wilderness

At first I thought it was the setting sun which made them seem red-dish in colour. We had seen them from afar, a group of figures on donkeys surrounded by the golden grasses of the veldt.

As we came closer, we saw that they were women, and that their skins were oiled to a bright henna colour. It was our first meeting with the Himba, a tribe of nomads in the far north of Namibia.

We had left Windhoek, the capital, a week previously, but it seemed more like light years. With the full tanks and jerry-cans of the Land Rover giving us a range of more than 1,000 miles, we were travelling in Kaokoland, a huge area in north-west Namibia and one of Africa's few remaining wildernesses.

Already, an asphalt road seemed like a distant memory, and we had become adept at cooking on wood fires, sleeping under the stars and waking at first light to strike camp. It was surprising how natural it felt, and how easy to forget about washing, shaving and all the other trivia of civilised life.

Our way into Kaokoland lay along the Hoanib River, running down to the Atlantic from the hinterland, the river cuts through canyons in the mountains, making a natural highway to the sea.

It was the rainy season, but rivers in this part of Namibia may stay dry for years, and we were able to drive along the river bed. Perched on the roof of the Land Rover, we scanned the foliage at the bottom of the cliff walls. The river is used by desert elephants, which have adapted to the harsh climate of northern Namibia.

But our luck was out. There were many elephant spoor, and droppings the size of a loaf but our guide crumbled the soggy mass of half-digested grass between his fingers and pronounced it at least two days old.

We camped that night beside the river under a huge tamarisk tree which had been gouged and torn by elephants. There were fresh spoor everywhere, but the only excitement came when the most nervous member of our small group, startled by some jackal calls in the middle

of the night, decided to forsake his hammock between the branches of the tree and sleep in the security of the Land Rover.

Afraid of stepping on scorpions, he shuffled through the camp still in his sleeping bag and, in the gloom, fell over the recumbent guide. Anglo-Saxon curses rent the soft African night and we were all immediately awake, struggling out of our bags, convinced that a rogue elephant had run amok.

We left the Hoanib after two days, and struck north-east. The country changed from rocky bare mountains to wide, sparsely grass-covered savannah. It was hot: about 35°C (95°F) in pools of shade cast by the few thorn trees dotted across the plains. There was plenty of wildlife here: herds of little springbok grazing on hillocks and bounding away if we came too close; ostrich and their chicks running at speeds of more than 30mph beside the Land Rover; and oryx: beautiful grey-and-black antelope with long straight horns.

We drove along tracks made decades before by poachers who had decimated the black rhino population. Only 150 rhinos survive in Namibia; not surprisingly, we saw few traces of these rare animals.

At dusk, a day later, we came out to the Marientafel, a swathe of prairie bounded on three sides by mountains and on the fourth by the Kunene River, Namibia's border with Angola. This area had seen fierce fighting between the South African army and the South West African People's Organisation when Namibia was ruled from Johannesburg. The occasional bullet-riddled car wreck was a reminder of the guerrilla war fought over these hills.

It was here that we met the Himba. They were a family of five, on donkeys, and at first were wary of a Land Rover full of unshaven, dust-caked whites.

The two women finally rode over and asked for a little salt. They were dandling babies, and the donkeys were along about with numerous leather pouches which held everything they needed. Rolled in goat skin within easy grasp was, I noticed, a heavy knobkerrie, a club which looked as if it could do some damage.



Nomads of the wild country: a Himba woman and child near the Marientafel in north-west Namibia

Nick Haslam

In addition to the pleasant, spicy aroma of their oiled skins, the women exuded an air of dignified independence. It felt symbolic, this meeting, of two different ages. We, with our cumbersome vehicle, were intruders on these graceful people who live in harmony with their environment.

Our last night in the bush was spent at Epupa, a Himba word meaning "the place of water noise".

The Kunene River here plunges over a 60ft drop, and its constant roaring filled the night.

The sandy beaches above the falls were dotted with crocodiles, though an Afrikaaner setting up a permanent tented camp told us that they were relatively timid, because they had been used for target practice during the border war.

"But downstream of the falls, watch out!" he said. "The crocs'll come running for you there."

There was torrential rain that night, or, as the Afrikaaner told us, it "rained old maids with knobkerries". We set off to cover the last few miles of dirt road but found our track cut by a torrent of brown water. Three Namibians, workers at a local mine, had parked their old Ford pick-up on the edge and were staring disconsolately at the turbid waters. They told us that the waters

could take three days to go down.

We waded across, and found the water only 3ft deep. For 10-day veterans of the bush, this posed no problem. Our vehicle stuck half-way, but we quickly staked out an anchor and winched ourselves out.

Once on the other side, we pulled their pick-up safely through the waters. Then we shared our last cans of beer before shaking hands and heading down the road to Windhoek.

Nick Haslam flew to Windhoek c/o Air Namibia, London tel: 081-543 2122. Twice-weekly flights cost £499 for a low season return.

His safari to Kaokoland was organised by Namib Travel Shop, PO box 6884, Windhoek, Namibia, tel: 06461-225 178 or 174, and Bruce Hutton, PO box 5794, Ausspannplatz, Windhoek, Namibia, tel/fax: 26461-222 845.

## Truth of the Matter England's God

Why was Sussex vicar Anthony Freeman sacked? Was it a question of theology at all or something altogether more worldly? Don Cupitt, the intellectual founder of the Sea of Faith movement to which Freeman belongs, gives a typically robust and distinctly non-metaphysical response: "It is all a question of power."

"There is considerable anxiety in the Church because of its financial crisis which makes it turn on those who do not quite fit, people who are homosexual, people whose beliefs are regarded as threatening. Now there is the move to abolish the person's freehold, which will give the bishops absolute power over people's jobs and housing."

"It is coming as a shock to the English clergy that the legal protections they have always enjoyed are disappearing and that they are now as vulnerable as Catholic priests. There are parallels with what is happening to university teachers, and even the BBC. This is a kind of Britain."

Welcome to Cupitt's ever-shifting world of free association, conspiracy theory, random signs and stripped illusions. Although sympathetic to the fate of Freeman and other followers of his ideas ("I feel awful that they are getting into difficulties"), he has the slightly detached air of one who can afford to speak freely on a subject which, away from the confines of his Cambridge college, is causing bitter divisions among ordinary Anglicans: can one talk of a non-objective, anti-realist God and still call oneself a Christian?

He acknowledges the distance between senior common room and congregation: "I am trying to bring creativity back into Christian thinking, to make it plural and adventurous, while people seem to want stability and to cling to the old philosophical values. So much of our culture is so old and exhausted, and it is very hard to renew."

Cupitt's own attempt at renewal, beginning with the publication of *Taking Leave of God* in 1980, has seen him work in the tradition of radical continental philosophy which has not been popular in England: yet he finds this puzzling. "The talk of English men is in the very highest degree mild, devout, allusive, ironical and indirect... it is the strangest para-

dox of English culture that while we remain intellectually in bondage to Plato and Aristotle, our manner of speech among ourselves has for a century and a half been postmodern," he wrote in *Creation Out of Nothing*.

Yet the established Anglican Church, far from exploiting this temperamental affinity with radical ways of thinking, has buttoned up; Cupitt looks instead, and improbably, to Rome and the untapped potential of Liberation Theology: "There are signs in the Roman Catholic Church that the presence of Pope is so repressive that things are bound to loosen up in the next Papacy."

If, as Cupitt says, we create God and reality from language, rather than the other way around, it is obvious to him that any attempt to police that language must fail. "Language is oblique and complicated, rather like the conversation between a husband and wife, who respond to the sub-texts in what they are saying, rather than to what is actually said. Language will always find a way of escaping censorship."

Does he not feel insecure about the proposition that language is all there is? "We need to get used to holding our beliefs lightly, to continually improvising. There is a western metaphorical tradition which emphasises stolidity, down-to-earthness, heaviness, a vocabulary of ponderousness, of a thickly-furnished universe. You only need to compare all those heavy western landscapes, from Rubens to Constable, with the lightness and beauty of Japanese flower and landscape painting. Perhaps only Monet reached that quality, in his final years. The western tradition sees landscape as a lost paradise or in terms of property."

The move from pulp to palette is effortless; Cupitt's philosophy sees no meaningful distinction between a religious view of the world and that of the artist. His regret is that the Cubists, the Dadaists, the abstract expressionists of the 20th century have been so comprehensively marginalised. Perhaps they can be eased into the fray by events of the past week: perhaps they will finally be ejected altogether. As England reaches the end of its sweltering spell of thunderous weather, its Church's storm has only just begun.

Peter Aspdon

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## HOW TO SPEND IT / FASHION

## Effortlessly naff on a hot summer evening

Lucia van der Post on who can, and can't, wear white dinner jackets

In this, the hottest English summer for many a year, the question of the white dinner jacket has reared its lapels. Once they were strictly for the tropics - in winter no gentleman could be seen wearing one north of Port Said. Once through the canal, however, the lightweight barathra cloth meant the Englishman abroad could keep up sartorial standards without fainting.

Between the wars, the white dinner jacket became rather fashionable back "home", trailing intimations of long-distance travel and danger on the North-West frontier.

But what, I mused, as we wandered the lawns of Glyndebourne on Sunday on a perfect English summer evening, is its current status? Most of the male Glyndebourne-goers were in black dinner jackets and there were a few eccentric interpretations of contemporary opera-going gear - most idiosyncratic was a black leather kilt accessorised with a spiky hair-cut and an earring. But in the end, convention ruled and black dinner jackets (the experts tell me that the ultimate colour for a dinner jacket is not black but midnight blue) outnumbered white by something like 100 to one.

Sir Hardy Amies, that legendary arbiter of masculine style, is in no doubt that "a white evening coat is effortlessly naff". More contemporary style advisers, such as



Perfect in Casablanca: Humphrey Bogart could carry off a white DJ, but think twice before wearing one to Glyndebourne

John Morgan, Associate Editor of GQ, and Ashley Lloyd-Jennings of Hackett, assure me that while white DJs can be "extremely, horrendously naff" they can also be appropriate in very hot weather.

John Morgan thinks that nobody too young and too

dashing can get away with wearing one: "It looks like too much of an over-statement as if you're trying too hard." If you are, sartorially speaking, a shambles, or happily rotund or what could be called an "older" (whoops, mature) sort of chap then - if the weather is really

hot - Morgan thinks it can look thoroughly distinguished. Lloyd-Jennings says the white dinner jacket should on no account have any facings and careful attention should be paid to the collar-shape - the shawl-collar may pass muster on Humphrey Bogart (oh, the dash of Bogart as the world-weary Rick Blaine in *Casablanca*) and snazzy band-leaders but the rest of you should go for a double-breasted blazer shape with a peak lapel. Lloyd-Jennings adds that white DJs should only be worn in very hot weather - that, after all, is their point. "They also look extremely nice in linen," he tells me.

The white DJ should be worn with a white marcella dress-shirt with a normal attached collar (not winged), a black bow-tied (hand-tied, it goes without saying) and studs in stone or mother-of-pearl (not black). The black trousers should have braiding.

Those who are optimistic about the weather and have a full formal diary for August might like to know that Hackett of 127, Sloane Street, London SW1 sell plain white (in reality, of course, they are cream) double-breasted jackets for £249 and linen ones can be made to order for about £375. But, remember, not if you are too dashing or too young.

Perhaps, though, the more persistent problem is what do you wear over your DJ when it rains?



Persian nights: silk organza coat, £288; sleeveless top, £188; jersey vest top, £188, double chiffon trousers, £288; all from Roland Klein, Tryon Street, SW3. Hand-woven scarf as turban by Wallace Sewell, £140 from Space NK. Gilded wood necklace, £21.95, bangles from £10.95, from Fenwick. Grosgrain mules, £75 (from £125) at Fratelli Rossetti.

## Exotic evenings from deep in the wardrobe

Avril Groom looks at ways to add glamour to a summer night

Do you ever have the urge, in this era of sober and minimal dress, to break out into something wildly flamboyant and opulently decorated? Are you fed up with restrained neutrals? Do you long to throw taste and caution to the wind, to indulge in a splash and clash of colour or layers of rich adornment?

If your world is a rush of business meetings and rushing for the 7.15 this could be tricky in your daily life. But there is one area of fashion where you can legitimately let your fantasies take wing and that is eveningwear.

Many women have begun to feel that a monochrome and beige fashion world is a dull place indeed and to thirst for

colour somewhere in their wardrobes. This can often be done by reappraising your wardrobe, putting together pieces which have lain unworn for years in a new way. Perhaps you have an old velvet evening jacket with some embroidery or beading? Try it over a rich brocade waistcoat. A length of sari-silk makes a wonderful sarong. Any genuine ethnic item can be pressed into service, from a gauzy embroidered peasant blouse to a Moroccan kaftan or a Japanese silk kimono. The new designer versions are good value in the sales.

The fun is in experimenting and layering, seeing which combinations work and which fall because the proportions do not work or the colours clash. Generally, one brilliantly patterned piece per outfit is enough, although that does not preclude others from being beaded, textured, metallic or even all three. You will be forgiven on taste grounds if you pile on the jewellery, provided it is the non-sparkly ethnic kind. Dull, antique-looking silver with amber or turquoise beads hit the spot. Subtle excess is the aim, aided by elements of surprise and drama that can give one cleverly home-concocted outfit more impact than a roomful of expensive plain frocks.

For beginners at the ethnic evening game the most straightforward approach is to adopt an easily identifiable one-nation look making sure you keep in a few items of contemporary fashion to prevent the whole becoming fancy dress. The choice is yours: most designers have tweaked both our fashion sense and our social conscience with Chinese worker jackets made in silk or romanticised versions of the swirling skirts and layers worn by east European gypsies.

Others choose the more opulent fantasy of high-collared Indian jackets and richly embroidered waistcoats, long, split-sided Moslem-style tunics over trousers or, such as Roland Klein, of brilliant

shades and veiling transparencies that might have been worn in a Sultan's harem.

Chloe, Romeo Gigli and Alberta Ferretti look backwards instead of far away for inspiration, with draped, high-waisted tunics and dresses modelled on designs from ancient Greek frescoes. The advantage for those wishing to experiment is that by this stage of the season the sales provide the means to a reasonably priced end.

The one exception to the national identity rule is Jean-Paul Gaultier who takes ideas at will from India, Africa and the 18th century and then rolls them into one with a hard-edged, neo-punk urban style. Tribal-looking jewellery apparently pierces (but is actually clipped to) odd parts of the anatomy and his men wear clusters of shiny gilt hairdressing pins. The overall effect is innovative and beautiful. Only those with great confidence could carry off such an unlikely clash of influences with panache but it is a look of which La Piaggi would approve.

■ Hair and make-up by Richard Wilkinson.

■ Pictures by Tony Boase at sunset on Clifton Beach, Cape Town, with thanks to South African Airways.

## Why beautiful legs are so painful

Few of us are blessed with the legs of a thoroughbred and those whose legs seem less than perfect might be comforted by looking back at how notions of leggy pulchritude have changed through the ages. The pins of such legendary icons as Betty Grable, Marilyn Monroe and Dorothy Lamour would not hold a candle to those of the supermodels of today. Nicely turned ankles were their speciality. Nobody seemed to mind the dimpled knees and podgy thighs that came with them.

But whether it is Betty Grable or Naomi Campbell, the real lesson about legs - which is equally true of sexual allure - is that confidence is all. We all know *femmes fatales* who have little in the way of conventional beauty to explain their success but who radiate an inner sense of who they are. So it is with legs. There is no

need to go around all summer swathed in long skirts or floaty trousers - short skirts, a tan (preferably fake) and some well-chosen tights and there are few legs that cannot be shown with pride.

But for those whose confidence is poor there is now a vast panoply of palliatives, beautifiers, toners, exfoliators, creams, gadgets and therapies all of which claim to help the quest for the streamlined pins.

No single pair of legs could find the time to test them all but the How To Spend It team has been on a quest for the perfect pins and here, for those heading for the beach and pool, are some of the conclusions.

The bad news is that the most successful treatments, the ones which showed a measurable improvement, were the least pleasant - this may suit the puritans who feel more psychologically at ease with

the notion that *il faut souffrir pour être belle* but personally I would prefer a soothing aromatherapy any day.

I started back in the spring with Fisiotron. This is not only aimed at legs but claims to be a complete body contouring system which promises to achieve a "reduced body size". I spent two lunch-hours a week for three weeks being exfoliated, oiled, wrapped and shrunk in Erico Scott and Sue Douglas's Health and Beauty basement at 28 Motcomb Street, Belgrave, London SW1X 8JU (tel: 071-235 2238).

After the exfoliating treatment you are wrapped from neck to toe in warm, damp bandages through which electronic pulses are regularly transmitted to stimulate the muscles. This is not a pleasant sensation and at one stage I got quite severe leg cramp but it did seem to work. After six treatments the measurement chart revealed an overall loss of just over 7 inches, mainly from the stomach and the top of the thighs and the general tone of the top of the legs is much firmer.

It requires, however, a commitment of time and money - occasional treatments are of no use and a proper course should ideally involve 10 visits with batches of two being taken within 36 hours of each other. The full course of 10 treatments costs £280. For a local Fisiotron specialist ring 081-202 2284.

Even more unpleasant but certainly very effective is the G5 treatment for legs. Also based on electric currents which stimulate and, it is claimed, "educate" the muscles, this was not pleasant but it brought about an immediate and evident firming effect after just one treatment. For those wanting serious improvement G5 suggests six treatments in a row (daily or weekly), followed by a single follow-up visit after three weeks. Many health farms and beauty salons offer this treatment but for Londoners a truly relaxing environment in which to have it is Harrods' revamped Health and Beauty Salon. Six treatments of half an hour each cost £110.

Much more relaxing and enjoyable is Aromazone - legs are anointed with oil and then encased in leggings through which moving impulses stimulate the lymphatic system. The results are less dramatic than with either the Fisiotron or the G5 but I do believe it improves the tone. Again Harrods, as well as many other beauty salons, offer this treatment - a course of six is £100.

Finding myself, most happily, in The Oriental Hotel in Bangkok what could be more inviting than a bit of oriental massage? It is a long way to go (if you start from London) and its real aim is less to pander to western notions of pulchritude than to work on the inner being - "The oriental path to



Legs too beautiful to walk on: these days, shapely ankles are simply not enough

the well-being of mind and body" is nothing more nor less than its aim.

In the spa, across the river from the hotel, all is beauty, calm and quiet. As you sip your lemon-grass tea you decide which of the treatments on offer will be yours - stimulating leg treatment? Jet lag massage? Oriental Massage? Here you can while away the time most deliciously, you are pampered, massaged and powdered like a baby. Those who can stand the thought of being checked for "cellulite, water retention, skin elasticity, and imperfections such as stretch marks and varicose veins" by a 39-year-old beauty with not an imperfection in sight could have a complete Body Analysis and body service.

I opted for an Oriental massage which reduced some of our party to yelps of pain but which I felt had to be doing some good somewhere, and later a Body Toning Treatment. I emerged feeling at peace with the world and planning my return visit. As for the thighs, they remained resolutely the way they were.

If all these prices are beyond you, do not worry - the simplest and cheapest of all the remedies, and one that every beauty editor in London recommends - is to buy a body brush from The Body Shop for £4.95 and use it to brush the skin daily. Start with the soles of the feet and brush gently upwards and towards the heart.

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هكذا في الأصل



# Having me some fun with the crawfish

"Jambalaya, crawfish pie, file gumbo... Son of a gun, gonna have me some fun. On the bayou..."

I had heard the song many times, as I expect most people have. It is a ram-bunctious, toe-tapping hymn to the food and exuberant way of life of the Cajuns of backwoods Louisiana. In fact, I had heard it so often while dining in New Orleans that I was getting downright tired of it.

Ruminating over a julep, I decided it was time to stop listening and start imitating. From the tourist restaurants of the French Quarter, the levees of the Atchafalaya Basin - the largest freshwater swamp in north America - are just four hours away. I decided to have a little fun on the bayou myself, and go crawfishing.

So it was, a few mornings later, that I found myself standing in a drizzle in a pitch-dark sugar-cane field on the edge of swamp country south-east of Lafayette. I was waiting for a couple of Cajuns, Horace Broussard and Moses Rebert, to arrive from nearby St Martinville. Horace and Moses were energetic, baseball-capped young men in foul-weather gear driving a shiny pickup truck.

Off we splashed through the cane fields, the tyres slipping and spinning on a dirt road made soggy by days of heavy rain. It was too early and too dark to see the flooded rice field where we stopped at last, and too cold and wet to enjoy sitting in the little flat-bottomed skiff that we pulled from the bullrushes at the edge of the water. Perched on an aluminium seat, my bottom was quickly numb.

Some fun on the bayou, I thought, shivering as Horace whipped the engine into life and we pulled away from the bank. I fell into a daydream of fragrant coffee and beignets, being served at that very moment in the early-opening cafes at the New Orleans market. All I could smell was mud. Slowly, though, the day dawned, the drizzle let up and the world around us took on a misty shape. I gazed around. Horace calls this work "running the pond". It was an extraordinarily large pond, though - we were floating across acres of silvery-grey water, the surface broken only by the protruding tips of long rows of thin metal stakes. From a leafless bough on the near shore, a curious owl stared down. Snowy egrets, their heads and necks making perfect "S" shapes, stood motionless in the brown, dead rushes. Like us, they were interested in catching crawfish.

Lying skewered at the bottom of each metal stake, in about 2ft of water, sat a wire mesh trap that works on the same principle as a lobster pot. Lured into the trap through a

narrow, one-way opening by a tasty morsel of bait, the unwary victim finds it cannot make its way out and, soon after, becomes a tasty morsel itself.

As we ran the pond, chugging up and down the rows of stakes, Moses in the bow scooped the traps from the water, dumped a dozen or so wriggling little creatures from each into a suspended nylon-mesh sack, and handed the trap to his partner at the rear. Before the stern of the skiff had passed the stake, Horace, one hand on the tiller, had rebaited the trap with a fish head and dropped it back down in place. I sat in the middle beside the fast-filling sacks and contemplated the twisting, tail-flipping, claw-snapping little beasts before me.

In France, they are called *écrevisses* and cost a bomb. In Australia, they are yabbies and are rare enough to be the subject of midnight raids on farmers' reservoirs and lakes. In Louisiana, they are crawfish, crawdaddies or mudbugs - anything but crayfish - and are found in vast quantities in freshwater bayous, swamps and flooded fields throughout the state.

Cajuns, who have traditionally thrown into the cooking pot just about anything that can be hunted, fished or trapped, have been eating these miniature, lobster-like shellfish ever since they settled around the Atchafalaya Basin in the 1700s. But, in the 1950s, the humble crawfish - swamp food for the poor man - achieved a new, elevated status. It became the subject of a nascent industry - commercial farming in stocked ponds - at

## Nicholas Woodworth joins Cajun fishermen and samples their catch

precisely the time Cajuns were re-discovering their rich and different French-based culture. The result was that the crawfish became a sort of mascot of Cajun regeneration. It moved rapidly from the homes and bars of the Basin to the restaurants of New Orleans and on to elegant tables around the world. Today, crawfishing is big business in Louisiana. Followed closely by China, the state is the world's biggest producer, harvesting more than 100m lbs every year.

Crawfishermen aside, just about everyone else around the Basin - bait shops, marinas, trap-makers, boat-builders, pond owners, peelers and processors - depends on the crawfish for a living (to say nothing, of course, of the tourist industry: in the summer, it is almost impossible not to stumble across a fiddle-scrapping, beer-guzzling crawfish festival).

I left Horace and Moses to their endless rows of traps -



River harvest: Louisiana crawfish, also called mudbugs, crawdaddies - anything but crayfish

Anthony Blake

with more than 1,000 in three Atlantic-size ponds, they had their work cut out. I drove through rice and soya bean fields, past shacks surrounded by junk and old cars and through thick, waterlogged forests of black willow and cypress trees. Finally, miles from anywhere, at the point where terra firma gives way to alligator country, I stopped in at Crawdad Unlimited, one man's little empire in the swamps.

Buddy Duchamp is an amal-

glared glassily from above chocolate Twinkies. Wild turkeys, martins and squirrels overlooked cases of cold beer and Dr Pepper. No one could doubt Buddy's Cajun origins here.

I had a chat with Katherine Blanchard, who was sitting behind the cash register. She used to go to school by boat. She agreed that, in spite of the intrusion of roads and modern life, many of the favourite traditions, feasts and get-togethers of the Basin had survived. Take a crawfish boil, she said. When her own family of 15 gathered for a boil, it needed at least five sacks of crawfish - 200lb - to satisfy its needs. The great thing, she added, was that one needed only to jump out the back door into a boat to fetch them.

If I had jumped out of Buddy's back door on my own, I would have been lost in five minutes. The Basin, which collects run-off from the Mississippi river and takes about 25 per cent of its flow, is large: about 20 miles wide and 150 miles long. It teems with wild life and, below water, with crawfish.

With all signs of civilisation falling behind, Phillip and I shot at great speed up narrow, winding channels into a great, confusing labyrinth of backwaters. Here, on silent stretches, some dark and open, others covered with bright green water hyacinth, he showed me where long, joined strings of traps lay; only coloured ribbons attached to stumps and overhanging boughs indicated their presence. But sight, 10, 12ft below the surface, small claws were busy trying to pinch their way out of underwater prisons.

with peeled and unpeeled bands. Then cut the aubergine across into 1/4-in thick slices, cut each slice into two half moons, then into wedges.

Cut the courgettes into pieces about the same size as the aubergine chunks. If the courgettes are young and slim, thickly sliced rounds are appropriate. If they are large round the girls, each slice will need cutting into wedges.

Thoroughly heat a large sauté pan. Sizzle half a tablespoon of olive oil in it and sauté the courgettes over fairly high heat for three minutes only, so they retain some crunch. Tip them into a shallow serving dish and add another half tablespoon of oil to the pan. When it is sizzling add the aubergine. Toss quickly in the medium of hot oil and sauté over high heat for three minutes until just tender and streaked with gold.

While the vegetables are cooking, damp and refresh the bread with a splash of cold water. Shake off excess liquid and grill for one minute on each side. Cool slightly before tearing into bite-size pieces.

Tip the cooked aubergine on to the courgettes. Add the herbs, toasted and torn bread, a good grinding of pepper, a little salt and at least 1 tablespoon of lemon juice. Toss to mix well. Taste and add extra herbs, lemon and/or salt as needed. Serve soon while the bread is flavoured with the other ingredients but before it turns soggy.

# Enjoy the flat times

Edmund Penning-Rowell on Champagne's crisis

The champagne industry is in a deep crisis, albeit often to the benefit of the consumer who can enjoy wide variations in price but does not always appreciate sharp differences in quality.

The crisis largely started with the big 1990 vintage, when some deregulation of grape prices led to a general rise of 25 per cent to a record FF22 per kg - plus bonuses paid by grape-hungry merchants who believed that a continuing boom would leave them short of supplies.

Around FF206 to FF208 a kg was paid in the leading vineyards on the Montagne de Reims and the Côte des Blancs, and a minimum of FF25.6, plus bonuses, in the outlying districts of the Marne, Aube and Aisne. It takes 12kg of grapes to produce a bottle of wine, and this accounts for 70 per cent of net cost. So merchants secured the grapes they required - at a price. And the maximum permitted limit of yields was as much as 12,000kg per hectare.

The commonly prescribed and publicised maturing time for a bottle of champagne is three years before it is put on the market, although the minimum legal limit is one year.

Since 1990, the opening grape price, as agreed by the merchants and growers has fallen each year. Last autumn it came down to FF20.50 for the top districts and FF16.40 at the bottom, with only nominal bonuses.

Moreover, the fall in sales and the big vineyards led to a three-year agreement to cut the maximum permitted yield to 8,400kg. So the growers last year received half the 1990 price for their grapes, and were only allowed to produce two-thirds of the previous quantity for making into champagne. Accordingly, many of the nearly 16,000 growers are in trouble.

Of the 29,000 hectares in production in Champagne, only 13,000 are owned by their growers. A further 16,000 hectares are worked under costly leases or share-cropping agreements.

All but a tiny proportion of the top 35 merchants are running at a loss. There are several reasons for this. Their current non-vintage blends include the over-priced 1990 wines. Most are heavily in debt to the banks. They hold an average of four years' stock and interest charges are between 5 and 8 per cent a

year. Those with substantial holdings of vineyards in relation to sales, such as Bollinger and Roederer, are better placed.

Many champagne consumers in the UK believe that the 28 *grande marques*, headed quantitatively by Moët & Chandon, and the wider-known independents are unreasonably dear. What is less appreciated is that, although there is only one authorised appellation - "Champagne" - there are essentially two sectors: one is high-quality wines and the other, which has stolen the limelight and some of the sales since the recession, the *premier prix*.

These brands buy a large proportion of the second pressing (and they used to buy the third, until it was banned). They are sold as soon as possible after the one-year minimum

crus that occupy a third of the total *appellation* area. They will press the grapes in their own or other approved press-houses. But it is the selection of their still wines, perhaps from as many as 100 villages, that provides their quality and their house style.

Then there is the expensive three years in bottle before marketing. Inevitably too, are the promotion costs. Omitting vintage champagnes and special *cuvées*, which are in a different league, does it mean that finer champagnes are over-priced? But are the *crus* classes of Bordeaux and the single vineyards of the Côte d'Or too dear? It depends on how much one likes fine claret and red and white burgundy.

In Champagne, with its blending system, the finer champagnes are at least much more consistent in quality. As the more expensive grapes pass out of the blends, will the classic champagnes become cheaper to consumers?

No, because prices have already been cut. In France the normal price on the shelf of Moët & Chandon's Brut Imperial is FF115 (£13.83) a bottle - the same as in 1989.

However, the price of grapes at the coming vintage is likely to alter little: perhaps 50 centimes or a franc more than last year's FF20.5 for the *grand crus*. A rise in the maximum permitted yield from 8,400kg to 9,000kg was a small concession to the growers.

But the banks are unlikely to increase their loans either to the merchants to pay more for their purchases or to the growers to make a bigger harvest. Overall, the total indebtedness of the industry is greater than its turnover. Jean-Claude Rouzaud, head of Roederer and president of the *Syndicat des Grandes Marques* said: "We need five years of low grape prices."

This will not be welcome to the growers, who may prefer instead to sell their grapes to the co-operative or produce their own champagne, but for champagne lovers now is the time to buy. Competition has led to marked technical improvements, and this extends down to some of the *premier prix* brands.

At the classier houses, where stocks often exceed five years' sales, it is resulting in more mature champagne sold at stable prices and the quality/price level is higher than ever.



bottle-aging. Recently, I tasted a bottle said to be 18 months old, but which may have been even younger. It had a very odd nose and did not taste like champagne at all.

Wines of this class, the basic cost of which is FF34, sell in the French supermarkets at about FF45 francs a bottle, including VAT. Somewhere along the line someone is losing money, possibly at the insistence of the banks.

These *premier prix* champagnes have between 25 and 35 per cent of the French market, and have hurt the 5,000 growers who sell under their own label at medium prices and the co-ops. Together these two groups used to account for nearly half the French market.

This does not imply that all *premier prix* champagnes are unacceptable or that champagnes that sell in the UK at between £12 and £10 are poor. But they are in a different class from the brands that have made champagne's reputation throughout the world.

The *grandes marques* buy a large proportion of their grapes from the *grands* and *premiers*

Salads that consist of a few fragile leaves are all very well for ladies who toy with lunch, but now that the summer holiday season is here, lunchtime salads need to be substantial enough to satisfy grown men and ravenous teenagers.

Salade Nicoise used to be one of my regular summer lunchtime standbys. Greek salad with cucumber, tomato, thyme, oregano, feta cheese and black olives is another old favourite. I am partial to a waxy potato salad with a robust mustard dressing, a snowstorm of mustard and cress and thick slices of good meaty Cumberland sausage or bratwurst.

A cheese, egg and crouton-rich Caesar salad, with or without anchovies, is excellent albeit lightweight. Better is a salad of raw baby spinach mixed with segments of orange and slivers of fennel laced with snippets of fried bacon, sautéed chicken livers and chopped hard-boiled egg.

SAVOURY SUMMER SALAD Drawing inspiration from both Salade Nicoise and Greek salad, this makes an attractive lunch dish for four or a first course for more people.

1 1/2lb or so French beans; 1lb salad potatoes (preferably La Ratte, Charlotte, BF 15 or Pink Fir Apple); 2 1/2-3oz walnut pieces; 23 shallots; 23 tabouleh pieces; 4 tablespoons vinaigrette dressing; 2 dozen black olives; 4-5oz feta cheese; 23 pot marigold flowers (not tagetes

## Cookery/Philippa Davenport Serious salads for summer

or French marigolds, which are poisonous); a nosegay of nasturtium flowers, carefully inspected and shaken to rid them of any wildlife.

Chop the shallots finely. Put them into a salad bowl, pour over the vinaigrette and leave to soak while you prepare the other ingredients.

Spread the walnuts on a baking tray and toast them in an oven heated to 375°F (190°C) gas mark 5 until their colour deepens and their flavour intensifies. This will happen swiftly so watch them like a hawk. If overcooked they become horribly bitter.

Steam or boil the potatoes and beans until just tender. Slice the cooked potatoes thickly and strip away the skins or leave them on, as you wish. Add the potatoes and coriander to the shallots and toss until everything gleams with the vinaigrette dressing.

Add the beans, which can be left whole or cut in half, and the olives and toss again to avoid the beans.

Crumble the cheese into small pieces and sprinkle it over the salad together with

the toasted walnuts. Toss once more, briefly and very gently this time.

Turn the salad out on to a large flat serving dish. Pull the petals from the marigolds and scatter them over the top. Finally, tuck the nasturtium flowers into the salad here and there. Serve with good bread.

AUBERGINE FATTOUSH Here is an agreeably quick and easy way to cook aubergine. It is equally good whether or not the aubergine is salted prior to cooking, so I omit that preliminary. This dish will serve two to four depending on appetite and on what else is served. If you make larger quantities it is probably best to sauté the vegetables in batches - just 1/4lb or so at a time.

1 plump, glossy and firm aubergine weighing 8-10oz; 1/2lb courgettes; 1 tablespoon virgin olive oil; 1 lemon; 1/4-1 naan bread; 2 tablespoons or more chopped coriander leaves; 1/4 tablespoons or more chopped mint; 1 tablespoon or more chopped parsley. Partially peel the aubergine, stripping the skin from stalk end to base, so it is striped

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## SPORT / MOTORING

## Equestrianism

# Princess Anne negotiates a tricky course

**G**old medal success for the British eventing team last weekend at the World Equestrian Games should give attendees a welcome boost at the Calor Gas British Open championship beginning next Friday. It will be a relief to one of the event's co-founders, the Princess Royal.

She and former husband, Captain Mark Phillips, both former Olympic competitors, have created something at their home that has grown far beyond their original vision. Equestrian entrepreneurs with a creative urge and some spare land should read their story before building the first fence.

"We simply wanted to build a demanding advanced course as a contribution to the sport in Britain, because that was our joint interest," said the Princess, strolling on the sunny south-facing terrace at Gatcombe Park. The steep Cotswold valleys in front of the mellow, but ungrand, house provide a natural amphitheatre for the cross-country course.

"It was very debatable whether it could be commercially successful in terms of the outlay. It can be if you have a good sponsor, but you're not going to run the property on it."

The 1,400-acre estate is still farmed by Phillips, in spite of the couple's divorce.

Althorp Park, family home of Princess Diana, has recently gone into the horse trade business with its own three-day event. Karl Spencer, by his own admission no horseman, went on record as saying it was a purely commercial venture. "If the event doesn't make it worth it while, I'd have to take a fairly mercenary view and pull the plug."

## Keith Wheatley learns about the economics of eventing

commercial crisis at the top end of British eventing - riders of the calibre of Glynn Elliot and Mary Thomson have talked about selling their top horses just to keep going - she observed: "The good news and the bad news about sponsors and riders is that they enable people to compete when they otherwise might not be able to, but also that they tend to keep a relatively limited number of people at the top."

"The ones trying to get on the ladder will have more difficulty climbing upwards because the major sponsors will keep the top riders in good horses. This factor is more obvious in showjumping than eventing."

The Princess's own discipline of eventing (she was in the British team in 1976 at the Montreal Olympics) is the fastest-growing equestrian sport, particularly at the base of the pyramid. She has contributed by establishing two Novice trials (in spring and autumn) at

Gatcombe, as well as the British Open in midsummer.

Like many landowners who are also keen on horses, the Princess is eager to make productive use of land no longer wanted for agriculture. And, like many landowners, she is driven to distraction complying with Byzantine regulations from Brussels.

In the eyes of Eurocrats, horses are not "an alternative land use" and their presence compromises land put into "set-aside".

"We suffer, I suspect, because in some parts of Europe horses are still farm animals. We've had to measure corridors for 'the track' across particular fields that are in set-aside but if the authorities really want to get difficult I suspect they could say that spectators shouldn't watch from those fields because they've paid at the gate. It infuriates me," the Princess complained.

"Although the numbers of people taking part in horse trials are increasing, maintenance of the sites is becoming more difficult. Some have had to close because they just couldn't fit in around set-aside regulations. But you're not running a commercial project. It's a sports competition on which you hopefully won't lose money."

Such issues have often managed to divide landowner and tenant. How much more difficult, potentially, when the two individuals concerned were once husband and wife?

"Keith Phillips is the farmer and I'm the landowner," she explained. "Regulations for set-aside land say usage should not be lucrative to the farmer. Well nobody will explain to me why it is that the landowner has to suffer the same restrictions."



Clearing another obstacle: Princess Anne stages the British Open at Gatcombe Park this weekend

"In this instance I don't see any money from the set-aside payments but I'm equally not allowed to use the land for horse trials in case there's any financial benefit. It's a difficult debate and I think it's one that's soured by the fact that Brussels is paying out vast amounts of money for people

to do nothing."

Hand-outs are not part of the natural style of the Princess Royal. Next weekend she edges modestly into the retail business with the launch of Gatcombe Park polo shirts and sweat shirts.

"People have often asked for them in the past, so it's by

way of an experiment," she said. "What's the point of letting outsiders do it, when it can benefit people on the estate if we handle it ourselves? But we won't be selling them outside Gatcombe itself. I don't see myself taking a trade stand at Burghley and Badminton."

## Cricket/Simon Hughes

# Dirty tricks

**M**ichael Atherton may keep his hands clean at Headingley this weekend as he leads England against South Africa, but bowlers on both sides will be working at the ball in search of the elusive movement which makes deliveries much more dangerous.

Hardly anyone understands how the bowler makes a ball move. Some find swing and dip, others cut and jag. The important thing for a medium-pace bowler is to get the ball to do something. Straight-up-and-down merchants do not make much progress unless they bowl at 100mph.

Mike Hendrick, the former England bowler, and a master at making the ball up about off the pitch, said he expected to land the ball on the seam every time but confessed he never knew which way it would deviate.

This is not the case with swing which the bowler can control. A through-the-air, rather than off-the-pitch, movement is achieved by positioning the shiny side of the ball a particular way and propelling it with a round-arm action, a supple wrist and plenty of hip swivel. Each individual has his own method.

Angus Fraser is too rigid and high to generate swing. He jams the ball into the pitch searching for a seam, occasionally tweaking his wrist on release to encourage cut. Philip DeFreitas's deliveries are fuller and kiss the surface, enhancing air swing.

A proud seam, acting as a rudder, helps this process (which is why some artificially raise it). The reduction of the seam may be one reason why bowlers do not swing the ball as much as they once did - except on certain days, that is.

There are many theories to explain swing. Scientists have suggested it equals barometric pressure, divided by wind resistance, multiplied by the price of beer. High humidity and cloud cover exaggerate swing, wind enhances or inhibits it, depending on the direction, and a moderate beer belly gives the bowler momentum, or it did once.

Today, pacemen are sleek, sculpted athletes, but they are finding new ways to make the ball move in an era when most advances (bigger bats, lifeless covered wickets, protective equipment, one bouncer per over) favour batsmen.

One method is reverse swing. Instead of polishing the ball to keep it pristine, you want one side to deteriorate so that there is a weight imbalance. This only happens on certain dry, cracked pitches - Lord's, the Oval and many in Asia - where the ball soon looks as if it has been in contact with sandpaper.

By moistening and rubbing one side, and allowing the other to become gnarled, you can make the ball behave in the opposite way to one at a lush place such as Headingley or Trent Bridge. Bowlers hold the ball for a normal outswinger, and it goes the other way. Even some bowlers become confused and have to be reminded how to grip the ball. Reverse swing comes more and is easier to obtain.

The issue of ball-tampering enters the story here. A few bowlers do not wait until the ball becomes naturally ragged, and they surreptitiously scratch it. One overseas player can mimic the blemishes and abrasions caused by different surfaces so his handwork is impossible to detect.

There is a recent school of thought that believes that rubbing dirt into the ball, the scuffed side exaggerates the difference between wet and dry and creates air pockets. A problem is that the laws are woolly. Law 42.5 permits polishing but forbids any action to "alter the condition of the ball", this includes applying soil but could also include bowling or hitting the ball.

Movement is only effective if the ball is put in a dangerous area. The advantage of swing is that it can turn a bad ball - say a half-volley - into a good one as it curves away from the batsman.

What the administrators forget is that cricket is a contest between bat and ball, not leather paying homage to wit. If you try to clip a bowler's wings he will find another way to fly.

## Motoring/Stuart Marshall

# Middleweight champions



The most elegant family car of all: the Citroën Xantia

road. Bumps are swallowed. Electronic sensors detect and stifle incipient roll on fast corners by stiffening the suspension on the left or right side as necessary. Regardless of its load, the Xantia always remains on an even keel and the quality of its ride is unchanged. There is nothing wrong with the Golf's ride or handling, either, but it simply does not rise to the same heights of excellence as the Xantia.

Both cars have 1.9-litre capacity turbo-diesel engines. The Citroën's is the latest development of the XUD unit which for more than 10 years has set a standard against which others have been judged. It may well be approaching the end of its production life in its present form but has few rivals for refinement and performance. The Golf's is a direct injection (DI) engine, the Citroën's (like

those of practically all other diesel cars) has indirect injection (ID). Without going into technicalities, DI means that fuel is injected straight into the cylinder, ID that it goes into a chamber a few millimetres to one side. Direct injection is inherently more economical. But it is also noisier.

On paper, the performance statistics of both cars are remarkably similar. The Golf's engine puts out 90 horsepower at 4,000 revolutions per minute, the Xantia's 92hp, also at 4,000rpm. Their maximum torque (pulling power at a given engine speed) is virtually identical, but the Golf's peaks at 1,900rpm, the Xantia's at 2,250rpm. What this means is that the Golf wins hands down for flexibility at low to moderate speeds.

The Xantia's engine is smooth but feels lethargic until the turbocharger begins delivering useful boost at just under

2,000rpm. The Golf's, though, comes alive at little more than 1,500rpm and is pulling like a heavy truck's diesel long before 2,000rpm is reached.

The Golf 1.9 TDI climbed hills strongly at least one gear higher than the Xantia. Keep the tachometer needle over 2,000rpm and the Xantia's performance is beyond reproach. Hard driven, it is a flyer. The Golf TDI is far more economical than the Xantia, easily capable of bettering 50mpg (5.65 l/100km) against the Citroën's figure of just over 40mpg (7.06 l/100km). But the Golf is also noisier.

The VW engine, which starts instantly from cold without needing a few seconds pre-heating from glow plugs, is decidedly thrifty at low speeds and is never so self-effacing as the Xantia's. The Xantia's engine is so quiet that the modest sounds from the tyres and the air conditioning

drown its hum.

Both cars have five-speed gearboxes: the Golf's is the slicker of the two.

Citroën has just given a facelift to the Xantia and the big XM for 1995, adding driver-side airbags while keeping the radio controls on the steering wheel. The XM turbo-diesel now has a 2.5-litre engine - still an indirect injection unit - but comes only with manual gears. No automatic transmission is strong enough to handle the 2.5's pulling power.

Buyers wedded to diesel and two-pedal control must still have the original 12-valve, 2.1-litre engine.

If anyone at Citroën is listening, I have a suggestion. Put the XM's 2.1-litre engine - I am assured it would fit - and automatic transmission in a Xantia. It would have 20 per cent more power and torque than the current 1.9-litre turbo-diesel, which is not available at all as an automatic though the non-turbo version is.

Given Citroën's traditionally keen pricing, it would knock sideways what little competition there is among mid-sized executive two-pedal turbo-diesels.

## FT Ski Expedition/Arnie Wilson

# Condor brings a lift

Arnie Wilson and Lucy Dicker aim to ski every day of 1994 on a round-the-world trip. They are now in South America.

**W**e have not set the world on fire with our skiing exploits in July, but we may have set a new, lowing record, following the final and humiliating immobilisation of our borrowed Lada vehicle.

For 500 rain-soaked kilometres, drivers of four break-down trucks from the Automovil Clubs of both Argentina and Chile, working in relay, towed us from the shores of Nahuel Huapi, trundling tank-like through the snow-clad Eucalyptus trees of the Puyehue Pass across the Cordillera, back to Temuco and the hamlet of General Lopez, from where we borrowed our Russian vehicle three weeks ago.

Our troubles had started just 5.7kms from the lakeside Dui Club Hotel, where we had left our last Argentine money as a tip. Whining and juddering noises came from the back-axle region, accompanied by smoke from our undercarriage; the FT Ski Expedition seemed to be falling apart.

Abandoning the vehicle at the roadside, we summoned our usual cab - because of our transport crisis, we had been getting to the slopes by taxi all week - to take us to the Gran Catedral resort, where we

found that none of our credit cards would deliver us fresh funds and no one would change our American Express travellers cheques. (The Argentines are funny about travellers cheques.)

After 10 consecutive days of rain, we now found ourselves with no transport, no money and nowhere to stay for our unscheduled extra stop in Argentina.

Perhaps we had tempted fate by celebrating our 200th consecutive day of skiing the night before with a champagne dinner in Bariloche.

As Lucy and I rode the Tele-silla Del Condor chairlift trying to unscramble the mess we were in, a huge condor soared above us, its wings flapping languidly. Low-flying condors are supposed to signal bad weather, but this one brought our first sunshine for weeks. It was a good omen. Our luck was about to change.

Funds were suddenly forthcoming from our credit cards, and although Bariloche was packed with families enjoying the school holidays, Heidi Kempe, director of the Catedral ski school, found us just about the last empty apart-

## Facts and Figures

## July statistics

Miles skied: 176 (Total since January 1: 2,005)  
Vertical feet: 200,000 (Total: 2,274,670)  
Vertical miles: 38 (Total: 430)  
Miles driven: 1,988 (Total: 20,163)  
Miles flown: 37 (Total: 49,617)  
Miles by train: 2,523 (Total: 73,986)  
Reports visited so far: 170 (US: 50; Canada: 13; Austria: 32; Italy: 11; Germany: 1; France: 24; Switzerland: 23; India: 1; Japan: 4; Chile: 9; Argentina: 2)

## Resorts skied in July

Chile: Valle Nevado; La Parva; El Colorado; Las Araucarias (Leimay); Villarica-Pucon; Antillanca.  
Argentina: Gran Catedral (San Carlos de Bariloche); Cerro Bayo.

## Expedition sponsors

Ski the Summit, Colorado; Hewlett-Packard; Avia; American Airlines; Air New Zealand; Snow & Frost; Foggy Travel Insurance; Lufthansa; Delta; F. Champagne; Mercedes; Glaxo.

ment in the resort. Now we could eat, sleep and ski - but not drive.

At first we were reconciled to having the Lada repaired locally, where it would cost more than twice as much as in Chile.

Then Lucy had the bright idea: it would be much cheaper to get it towed back to Chile for repair. When it was fixed, the vehicle's owner, Robert Stanton, would put it on the night train to Santiago, where we could collect it and continue our journey east of the Andes.

Our marathon tow ended at the Automovil Club de Chile's garage in Temuco, where we faced a further problem: how were we going to get to the snow without the four-wheel-drive vehicle? Local taxi companies confirmed our fears: no one wanted to drive us to the foothills of the Llanos Volcanos (the only ski area for more than 100 miles). But in torrential rain and gathering darkness we managed to lay our hands on a Chevrolet truck and set off into the night.

It was 50 miles from Temuco to the nearest snow. Over half the distance was along unpaved and deeply potholed roads, with several sections under water. We had to drive past vehicles trapped in the flood amid uprooted drainage pipes. Fortunately we did not become bogged down ourselves or we would have been unable to ski for the first time during our travels.

It was a truly wretched night, and the "sking" in fields and along the road in almost total darkness and pouring rain was grim. So was our return journey.

The following day we had to repeat the whole process

before boarding an all-night train to take us north back to Santiago, and on to what promised to be the best skiing region in the southern hemisphere: the three resorts of La Parva, Valle Nevado and El Colorado - the nearest thing in South America to France's Trois Vallées.

At least it was daylight this time, and the flood waters had receded. We took the ancient train from Temuco to Santiago and slumbered fitfully as the ancient locomotive built up speed on its way towards the Chilean capital. We dreamt of volcanoes and condors.

Or was it champagne and smoked salmon by the Thames at Henley?

Our travel arrangements were made by Passage To South America, 41, North End Road, West Kensington, London W14. Tel: 071-602 9888.

We stayed at the Club Hotel Las Lomas De Correntoso in Villa La Angostura, six miles from the Cerro Bayo ski area, and at the Dui Club Hotel near Lago Llan, 13 miles from Gran Catedral ski area, Bariloche.

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## BOOKS

## Drama during the Protectorate

As theatre was banned political pamphlets took an expressive turn, Anthony Curtis discovers

A new book full of fascinating information about that violent period from the beginning of the Long Parliament to the Restoration of the monarchy helps us to see how much truth and how much legend there is in the received wisdom about the English civil war and its effect on ordinary life. Undoubtedly there was irreversible destruction in many areas. The one with which Nigel Smith, Oxford fellow in English at Keele College, is concerned is literature. After the regicide, old rhetorical forms and genres of writing were radically undermined. Smith demonstrates how they then became adapted and reconstituted to meet the changing needs of the times right across the board - in drama, history, fiction, political theory, epic and lyric poetry.

The fate of the drama is a striking

king example of this process: the London theatres were gradually dismantled by the Puritans, as were other places of public entertainment such as the bear-gardens. But plays continued to be published and even to be privately performed in country houses or in exile. While the clamp-down on public theatre remained unrelenting for the whole of the Protectorate, drama re-surfaced in other areas. Its spirit emerged in related forms such as the political pamphlet whose writers used dramatic scenarios to present highly "sensitive" political material.

In 1648, for instance, there appeared a polemical tract written in the form of a play entitled *Croft's Cromwell*. The emergent Oliver appears in it as a stage Machiavelli. The King was then a prisoner. The Levellers were aiming to abolish Parliament. In such a confused time the appropriate genre, the pamphlet's authors considered, was low comedy rather than high tragedy. "Smooth Plautus, Aristophanes his vein/We now affect, not Sophocles high streine", they explained.

One of the authors was Marchmont Nedham, a prolific writer

LITERATURE & REVOLUTION IN ENGLAND, 1640-1660  
by Nigel Smith

Yale University Press £30, 425 pages

active in the publications that now sprang up to supply information about the progress of the civil war. These Newsbooks were the forerunners of the modern newspaper. They came out daily with a date-line, and contained both news and rudimentary editorial comment. In an age when classical erudition

was taken for granted Mercury, winged messenger of the gods, became their emblem, hence *Mercurius Britannicus*, and many more similar titles - emanating first from the parliamentary side, and then in reprisal from the royalist, each Newsbook heavily slanting the news according to its allegiances.

The hard-worked writers combined production of them with other occupations. Nedham and his rival Sir John Berkenhead were both gentlemen; Henry Walker was an ironmonger and church minister; John Dillingham an innkeeper

and tailor; towards the end of the period we have in one Samuel Pecke, news-writer, an example of a full-time journalist.

The old classical models remained precariously in place and were made to serve as mirrors and metaphors in innumerable ways. When Cromwell returned from Ireland, Andrew Marvell celebrated the event in An Horatian Ode famous for its ambiguities. Who is the real hero - Cromwell or "the royal actor" who on the day of his execution "nothing common did or mean/ Upon that memorable scene"? Smith exonerates Marvell

from fence-sitting and suggests that the double meanings are "replications of the tensions which are necessary to the life of republics".

Even a seemingly innocent bucolic text like Isaac Walton's *The Compleat Angler* does not escape this writer's perceptions of hidden meanings. Walton was an unrepentant royalist whose complete Angler is also a complete Anglican. Angling is analogous to ministry, fishing to preaching - "the unusual oscillation of genres... relocate the national crisis in a natural landscape". Whether dealing with gallant lyrics by Herrick or Lovelace or with a major work of the order of Hobbes's *Leviathan* or *Paradise Lost*, Smith shows the same sensitivity to inner tensions and topical resonances. He has done a signal service to all students of this watershed period.



"The Damned": Felix Nussbaum's bleak depiction of life in Nazi Germany was completed in 1944; months later he was on board the last deportation train to succeed in leaving occupied Brussels ahead of the approaching Allies to his death at Auschwitz. Taken from Sergiusz's *Michalski's "New Objectivity"* (Taschen, 220 pages)

## Tales of resistance to Nazism

German opponents to Hitler acted with extraordinary courage, says A.C. Grayling

Between Hitler's assumption of power in 1933 and his suicide in 1945, three million Germans spent time in prison or concentration camps on political grounds or for resistance activities. Efforts were made to overthrow Hitler, and a number involved assassination attempts: bombs in Smolensk, Gerdorf and Rastenburg, guns elsewhere; one man, Maurice Bavaud, tried to shoot him on three separate occasions. But Hitler seems to have had an evil inviolability.

These facts, Anton Gill tells us in his history of internal German opposition to Nazism, speak for themselves. They bear witness that there was honour in Germany in those terrible years, when to go along with the criminal regime's excesses was easier by far than to dissent. Dissenters met with a brutal answer: torture, imprisonment or a Gestapo bullet were the likelihoods, yet nearly a tenth of the

German population risked them. Gill is an historian and commentator who has made the Germany of the period brilliantly his own. In *A Dance Between Flames*, an account of life in Berlin between the wars, he anticipated some of what this book records: the courage of Germans faced with the cruel hubris, or the supreme acceptance of the majority of their fellows.

Opposition to Nazism came from the Social Democrats, the Communists, some churchmen, student groups, and the patriotic right. Because the two former were organised parties with identifiable members - and because they were hopelessly at odds with each other and therefore ineffective as oppositions - they were relatively easy for Hitler to destroy. He did so quickly, leaving only isolated groups of pastors, students and noblemen working uncertainly in a murderous environment of fear.

The most dramatic of the attempts against Hitler is well known. It has

just occupied centre-stage in the 50th anniversary celebrations of the German Resistance. On July 20 1944 a colonel in the German army, Count Claus von Stauffenberg, exploded a bomb in the conference room of Hitler's headquarters, the Wolf's Lair at Rastenburg, while Hitler sat consulting his staff. By a perverse miracle

AN HONOURABLE DEFEAT  
by Anton Gill  
Heinemann £20, 293 pages

Hitler survived practically unscathed although a number of those sitting around him died. Back in Berlin a secret government-in-waiting was readying itself to take power. But the failure of the plot meant that within hours they and Stauffenberg were being dragged before a firing-squad.

This vertiginous effort was motivated by the fear of some Army officers that if peace were not made

quickly Germany would be pulverised. They were right, although they could not foresee the benefits this painful expedient would yield in the longer term. But it is not clear how much they were motivated by still deeper reasons: by horror at the slaughter of Jewry, and by opposition to the Gestapo state.

Such resistance came from other quarters, from men like the theologian Dietrich Bonhoeffer, who died in a concentration camp, or the student activists of the White Rose, a Resistance group that leafleted against the Nazi regime under its very nose during the height of the war. With terrible inevitability such people were arrested and shot or hanged. It is surprising how many of them there were, and with what extraordinary courage they acted. Gill details them all, and their tales make compulsive reading.

One young man, Hans Scholl, who with his sister Sophie was executed by the Gestapo, was moved to resist

by witnessing the maltreatment of Russian prisoners and Jews. "One day he gave his tobacco to an old man," Gill relates, "and his iron rations to a girl. The girl had thrown the rations back at him, but he had picked them up, plucked a daisy, placed it on the pile of rations, and laid them at her feet. After a moment's hesitation she had accepted them, and put the flower in her hair."

This story is emblematic of suffering on the one part, courage on the other. Struggle against tyranny is one of the noblest human endeavours, just as tyranny and oppression are amongst the most vile. In Germany during the Nazi years a Manichaean struggle was waged internally; an unequal struggle, because the evil was great, the complicity of the majority weighty, the resisters relatively few and their struggles fragmented. But it was an honourable struggle, full of hope for the human condition.

## Male torso appeal

Johann Joachim Winckelmann became immensely famous in the late 18th century as a result of his writings on Greek and Roman sculpture - above all, his *History of the Art of Antiquity* (1764). A striking feature of these writings is his rapturous enthusiasm for the smooth-limbed, boyish, naked male body, as exemplified by the sinuous torso of the Belvedere Antinous in the Vatican, illustrated on the cover of *Flesh and the Ideal*.

Winckelmann is well-known, too, for his declaration that his life only began when he left behind a gloomy existence in Saxony and devoted himself to hedonism and self-realisation in Rome: he described his dalliances with young Italian boys as research into "living beauty" that supplemented his work as an antiquarian scholar. Unsurprisingly, then, cultural historians have often emphasised his role in consolidating a tradition of homoerotic fantasy that centres on visions of untrammelled desire in the warm south.

In this book, Alex Potts approaches such themes obliquely and cautiously. Eighteenth-century accounts of the classical ideal are, he observes, more often concerned with the female nude, which "is constituted almost exclusively as an object of delectation for the male viewer". For Winckelmann, in contrast, the male nude supplies a more complex and enthralling focus of erotic fantasy: not merely "a thing to be gazed at" for gratification, but also "a mythic image of perfectly integrated manhood", with which the viewer can identify.

Elaborating on this image of manhood, Winckelmann devotes much of his attention to figures such as the Antinous, which appear calmly self-absorbed, lost in an "enjoyment of self in which the senses are gathered inwards and withdrawn from any external object". In identifying with such figures, the spectator identifies with their state of narcissistic self-contentment, in which all potentially disruptive desires and passions are suspended. The wish to regress to such a state, Potts cogently points out, is "hardly distinctively homosexual".

He makes a similar point in discussing Winckelmann's presentation of the great ideal nudes - not only the self-absorbed Antinous but also, for example, the more active Apollo Belvedere - as figures that seem "to require no female other". This "blanking out of the feminine" is, he

argues, given its "charge and necessity" not by the critic's homosexuality, but by a more general "male disavowal of femininity, or a fear of castration as Freud would have it, operating in the dominantly heterosexual culture of his period".

In setting Winckelmann within this wider context of 18th-century masculinity, *Flesh and the Ideal* is unapologetically concerned with male rather than female desire. And throughout the book, Potts is at pains to emphasise the fascination with violence lurking within the ideal of classical calm: he notes Winckelmann's dramatic elaboration of a response to the Apollo Belvedere that entails not only identifying with the power of the god but also experiencing a frisson of masochistic subjection to him.

*Flesh and the Ideal* faces a major problem of presentation: the classical sculptures that

FLESH AND THE IDEAL: WINCKELMANN AND THE ORIGINS OF ART HISTORY  
by Alex Potts

Yale University Press £20.95, 294 pages

Winckelmann so rapturously describes have, since the late 18th century, come to be seen by many as dry and insipid. Artists of the 1980s, far from happily "imagining being seduced, even violated, by the Apollo Belvedere", in the manner of the 18th-century man of taste, rudely dislodged plaster casts of them from their established place in art schools.

Potts makes vigorous attempts to seize the imagination of contemporary readers, and offers a wide array of interesting starting-points and helpful pieces of analysis. Often, however, the book resembles a fragmented series of essays: the reader waits in vain for a moment when the full excitement of the project as a whole will become apparent.

The author makes his task yet more difficult by saying very little about the literary qualities of Winckelmann's writings - the language of erotic longing and febrile speculation in which his vision is traced out. This lack of interest is not, perhaps, a mere coincidence: for all his emphasis on the darker, more disturbing side of the classical ideal, Potts is himself, in his prose style, surprisingly unimpassioned.

Chloe Chard

Some of us go off on holiday with Shirley Forster or Freddie Forsythe, a very few take Anthony Powell or Marcel Proust. But Literary Companions are different, and appear to be a growth sector of the publishing industry. They are a species of anthology, and the idea is very simple: take a country, hire a diligent author for a pittance, and tell him to string together hundreds of extracts, quotations, gobblets, from first-hand accounts of earlier travellers and writers.

Curiously enough, the end-products are very different one from the other, as we can see from this summer's batch. Most of them are excellent and will certainly deserve space in your hand baggage. The distinction is between those which follow a geographical scheme and those which divide the material into categories.

For instance, Martin Garrett has edited Greece: A Literary Companion (John Murray £16.99, 228 pages) according to a simple progression around mainland and islands. His style is to arrive somewhere and weave together various historical facts, quotations and references, add a (slightly) longer chunk, and move smartly on. The references are footnoted. The two Byrons - Robert and Lord - emerge as the stars. Bernard Shaw offers an iconoclastic view of the Aegean in an 1899 letter to Ellen Terry: "Ugh! Cold, storm, sleety grey, pitching and rolling, misery, headaches, horrors of universal belchings!"

By contrast, A.C. Grayling and Susan Whitfield's China: A Literary Companion (John Murray £16.99, 289 pages) adopts a schematic system, with chapters on "Pleasures", "Mutual Perceptions", "Rites and Festivals", and so on. Freed of the obligation to report from every province and backwater, the editors bring together a fascinating range of material, from infanticide to footbinding, opium to executions, privies to pornography, and much else, not forgetting a final section on communist China and its heroic dissidents. I imagine you can only edit

## Travelling write

these books if you love the country: here we have no doubt of the affection, with a quote from Lord Dunsany in illustration: "If China had not been there, this land of dragons, peach-trees, peonies and plum blossoms, with its ages and ages of culture, slowly storing its dreams in green jade, is just the land that poets would have invented."

Jimmy Burns does not just love Spain, he half belongs to it. His Spain: A Literary Companion (John Murray £16.99, 240 pages) makes an opening gesture to the geographical school with chapters on Madrid, Barcelona and Seville, but then settles for a looser format - "Jewish Spain", the Civil War, "Flamenco", and so on. He is more inclined than his colleagues to run longer extracts (though he might have sourced them more precisely) and he has an imaginative choice of authors - Richard Ford, Kate O'Brien, Cela, Montalban, V.S. Pritchett, Disraeli - as well as the longest bibliography.

Best of all in a good John Murray bunch is P.J. Kavanagh's Voices in Ireland: A

Traveller's Literary Companion (£16.99, 254 pages). It is the most substantial of the four and was obviously commissioned for the series (and advertised as such), but at the last moment it has been given a different format.

The scheme is geographical in the extreme. Kavanagh, a considerable poet of Irish extraction though born and resident in England, travels indefatigably around the island to produce a text dense with anecdote and history, complete with meticulous footnotes. Unsurprisingly, there is a strong emphasis on poetry. It is hard to believe that this task will ever be done better: a book to be carried in the car and read aloud at every pub and crossroads. Its theme is "the heart of Ireland, hidden, but not concealed, in its writing". As a second mission, Kavanagh wants to persuade the reader to explore this extraordinary landscape. He succeeds triumphantly.

The latest examples of "Traveller's Literary Companions" from In-Print Publishing are less successful, and I am surprised that Margaret Drabble should describe them as the

series she has been waiting for all her life. Japan, by Harry Guest, (£12.95, 339 pages) is basically a guide book scattered with short extracts and tiny potted biographies.

Africa, by Gona Strathairn (£13.95, 594 pages), has the impossible task of including every African country in a single volume, requiring, for example, that South Africa and its literature be squeezed into 30 pages, half of which are taken up with a ragbag of minute extracts: Zimbabwe gets a dozen pages. I would argue that there is a lesson to be learned here: editors must be prepared to run extracts that are long enough to give the newcomer some flavour of an author's style and impact. Anything less than a page is surely an absurdity, no more useful than a Dictionary of Quotations. Incidentally, Ms Strathairn confuses V.S. Naipaul with his late brother, Shiva.

Finally, the simplest idea of all: Travelling in Italy with Henry James (John Curtis/Kodder, £20, 413 pages) is a near-complete anthology of the Master's essays and letters extending over nearly 50 years. The editor is Fred Kaplan, author of the recent biography. No one would dare to reduce James to snippets.

J.D.F. Jones

## Morality matters

There have always been at least two Quinlans, quite apart from whether he was called Hogg or Lord Hailsham at the time. One is the rather wild, bell-ringing politician who gave up his title in order to seek the premiership when Harold Macmillan became ill. Another is the lawyer-philosopher who has written around 20 books. Along with Enoch Powell he must have been one of the most erudite members of a postwar Tory cabinet and, like Powell, he is a great survivor. Both have a flair for publicity.

In a famous passage Hailsham once wrote: "Conservatives do not believe that the political struggle is the most important thing in life. In this they differ from Communists, Socialists, Nazis, Fascists, social creditors and most members of the British Labour Party. The simplest of them prefer foxhunting, the wisest religion."

Half a century on, Hailsham still has doubts, not about politics, but about religious belief. *Values: Collapse and Cure* is a remarkable book in several ways. It is the facsimile of a

manuscript. It is very short, at times - like his memoirs, *A Sparrow's Flight*, very personal - and does not come to any startling conclusion.

Hailsham explains that around the end of 1992, when he was well into his eighties, he fell into a mood of deep depression. The principal reason seems to have been the perception that the great hopes

VALUES: COLLAPSE AND CURE  
by Lord Hailsham  
HarperCollins £12.99, 177 pages

that had been entertained for the future in 1945 had not been realised. Thus he re-examines the basis of his religious and philosophical beliefs.

If there is one single thread, it is that he believes in the need for order. But it is not order of an authoritarian kind. The libertarian in him comes out when he defends minorities - "protecting the weak against the strong". Humility emerges when he accepts "judged" not that ye be not "judged" as one of the safest rules when passing judgment on the conduct of others. His

preferred definition of law is that it is "natural morality translated into the enforceable".

The sharpest attack in the book is directed at the logical positivism associated with Wittgenstein and the Vienna Circle. Hailsham thinks that it is unduly modest and defeatist to conclude with Wittgenstein: "That of which we cannot speak intelligibly is something about which one is bound to keep silent". But it is striking that he no longer makes a leap to any kind of religion or theology.

What Hailsham is seeking is a set of moral and religious values on which society can be based. In the end they may amount to no more than an appreciation of "that the song of a nightingale is beautiful, or that it is better to be kind than cruel, honest than fraudulent, or that it is better to be loyal to friends than to betray them".

To judge from the title, the depression was cured by the very act of thinking and writing, and in its brief way it covers much of the best that has been thought and said.

Malcolm Rutherford

كتاب الاصل



ARTS

# Aristocrat with a vicious streak

Andrew Clark reviews Patrice Chéreau's production of 'Don Giovanni' for the Salzburg Festival

There can have been few more enticing festival prospects this summer than Patrice Chéreau's new production of *Don Giovanni* at Salzburg. Despite the success of his century-long *Ring* at Bayreuth and the inducements offered by major companies, the French director has been a rare visitor to the opera house. He is now vowing to give up the theatre altogether and devote himself to film, a medium in which - judging by the recently-released *La Reine Margot* - he still has something to learn.

Gérard Mortier can, therefore, count himself lucky to have won Chéreau's services for Salzburg and for a work which, ever since Furtwängler's legendary performances, has been a stern testing ground. The new production has been cooking for a long time. A Chéreau *Don Giovanni* was first mooted by Rolf Liebermann in Paris in the 1970s, and the idea was later picked up by Daniel Barenboim in

his ill-fated plans for the opening of the Opéra Bastille. So it is no surprise to find Barenboim conducting in Salzburg, with a cast as glittering as can be gathered today. As in Chéreau's staging of *Lucio Silla* (Brussels 1984), Richard Peduzzi has designed a single set consisting of a huge stage-wide facade. It is faintly indented with architectural features, painted blue-grey with some red at the side, and modulated where necessary to suggest a door, an alley or a window. The sinking or raising of stage platforms leads the same subtle variation to the playing area, which - despite the width of the Grosses Festspielhaus proscenium - is well focused.

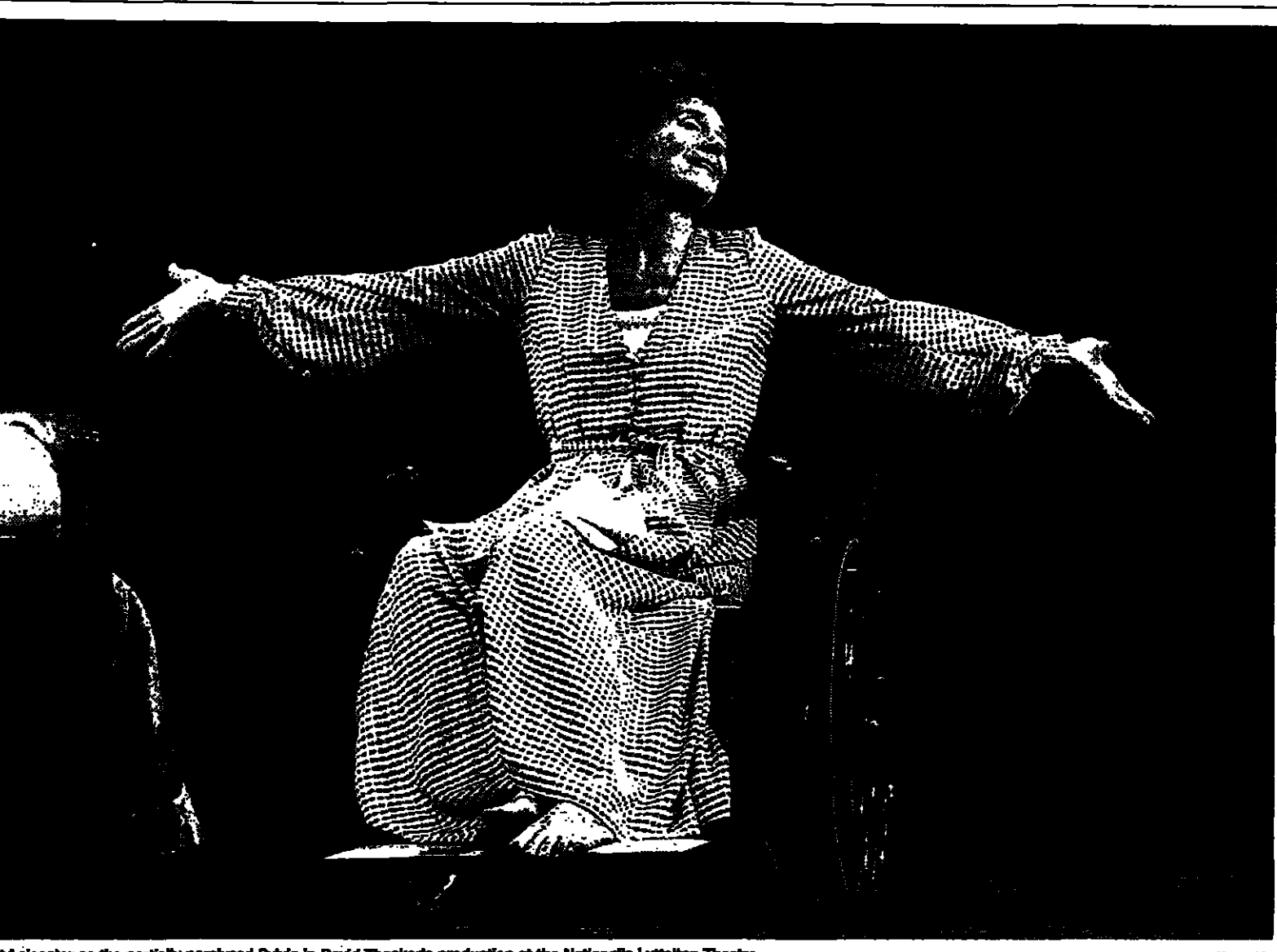
In the churchyard scene, two giant stone heads appear - one signifying retribution for Giovanni, the other presumably for Leporello - and the larger of the two returns for the finale, crashing through the wall and trapping Giovanni beneath it. Midele Bickel's costumes are roccoco, and the subdued lighting illuminates the cast's movements rather than their faces. The character of the performance is determined entirely by Chéreau's choreography, which flows with the music and is often strikingly realistic. After his swordfight with the Commendatore, for example, Giovanni hurls Leporello to the floor in a fit of angry remorse, only to end up beside him - kneeling

over his victim's corpse. The scene in which Elvira interrupts Giovanni and Zerlina has an almost balletic impulse as he swirls them across stage holding one and then the other. And there is a very human touch in Act 2, when Leporello's guise is uncovered and he still wants Elvira's hand - but is rejected. Beyond the choreography, Chéreau seems unwilling or unable to take a strong interpretative stance. The performance develops an air of uncompromising austerity - there is precious little humour - and the characters are not strongly etched. Donna Elvira fares best, partly because of the larger-than-life stage personality of Catherine Malfitano.

Chéreau has her veiled and protrude in a distant corner for "Ah! chi mi dice mai", but never overplays the lovelorn neurosis. Malfitano underpins her performance with a confident display of Mozartian coloratura, showing again what a versatile artist she is. At the other end of the spectrum is Donna Anna, a figure embodying fragility and sorrow rather than fire and passion. Lella Cuberli's singing was brittle and sometimes barely audible. Don Ottavio profited from her weakness: looking more like an advocate than a wimp, Peter Seifert seemed very much at home in the part and sang exquisitely. Cecilia Bartoli's petite Zerlina was sparky rather than sexy,

the voice perfectly tuned but a bit small for this theatre. Andreas Kohn was the shadowy Masetto, Matti Salminen a massive Commendatore. Which leaves the central pair of master and servant, a distinction Chéreau respects. It would be hard to imagine a more sympathetic Leporello than Bryn Terfel, boasting a long mane of hair and an easy stage presence. His intelligent grasp of words and musical line allied to his soft-grained bass-baritone, is in Salzburg's finest Mozartian tradition. Ferruccio Furlanetto, who sang Leporello in the Karajan production, cuts a handsome figure in the title role and sounds effortlessly suave. His Giovanni is an aristocrat with a vicious streak, whose sole misdemeanour is to have killed the man who challenged him to a duel. He shows too many pangs of conscience, too much gentlemanly courtesy, to rank as a libertine. Sensuality is in short supply, not least in the Serenade and there is no sign of debauchery. In short, Giovanni does not stand out enough from the rest of the cast. The biggest disappointment is the contribution of Barenboim and the Vienna Philharmonic, whose soft-focus accompaniments sounded like background music, shedding little light on character or drama. For long stretches one could comfortably forget the orchestra was there - until Barenboim produced one of his sudden forte outbursts. Anyone looking for Mortier's revolution in Salzburg would find little evidence of it here. But the show is a useful crowd-puller, certain to impress the festival's rich, unrepentant clientele.

**B**roken Glass is the kind of play that only Arthur Miller knows how to write any more. At its British premiere on Thursday there were stony eyes and cheers amid the audience, and, when the 78-year-old playwright rose to acknowledge the applause, a good many people leapt to their feet. Indeed, Miller has not given us so echt a play in quite a while. Which means that it is about the point where private repression and public events overlap: in this case, the point where the twin causes of the heroine's partial paralysis are sexual problems and Jewish consciousness. The play, which has six characters, is set in Brooklyn in 1938. It is some feat to make the sudden psychosomatic non-functioning of Sylvia's lower body be prompted simultaneously by (a) 20 years of marriage without sex, and (b) Kristallnacht. Miller, however, is not the man to stop there. He lards his play with questions-and-answers like this. Patient: "So why is it so hard to be a Jew?" Doctor: "It's hard to be anything." Or this one. Patient: "So what is the solution?" Doctor: "To forgive yourself, I guess. And the Jews." Oy vey. If you think the test of a play is its message or messages, then you may like *Broken Glass* a good deal. The messages here include the following: women are people too; Jews can be anti-semitic; you should be aware of what is happening outside your own four walls; repressing guilt is bad for you and others. Miller has been saying worthy things like these for so many years that he should get a Nobel prize. Not, however, the one for literature. The messages of *Broken Glass* thud around like so many missiles; but they do not constitute serious drama. Those of you who have been trying to forget the ending of Peter Shaffer's *On the Water* (with poor Judi Dench yelling "I forgive! I forgive! I forgive!") to the angry shade of her dead husband would be well advised to leave before the close of *Broken Glass*, a triple whammy of the second onstage heart-attack and probable death of Sylvia's husband Philip; Sylvia's cries of "Wait! Philip! There's nothing to blame!" and a stand-up-and-walk miracle for Sylvia. And



Margot Leicester as the partially paralysed Sylvia in David Thacker's production at the National's Lyttelton Theatre

## Messages in Broken Glass

Alastair Macaulay reviews the British premiere of Arthur Miller's latest play

who could have predicted that even Miller, writing a play about a doctor trying to get a woman to use her pelvis and legs and realising that her real problem was psychosomatic, would call the doctor Hymen? There are some cute jokes. Sylvia: "I never saw an opera. They must be hard to understand. Doctor: "Nothing to understand... Either she wants to and he doesn't or he wants to and she doesn't."

Either way one of them gets killed and the other one jumps off a building." Miller could be writing gags for Bob Hope. Instead, he writes plays. He has been called a realist, but he is a lot too schematic to be realistic. There is nothing seriously individual about his characters; each seems to function like a demographic diagram. The stage world they inhabit has no persuasive reality. Everything is subordinated

to message. OK, the doctor likes opera and riding, while Sylvia likes Bing Crosby. But this is mere tokenist realism. And would anyone in 1938 have said "This Crosby's the one I like. You ever hear him?" (My Crosby discs date back to 1927.) Acting these roles is a matter less of serious impersonation than of tact; and David Thacker, directing, paces the dialogue so well that you

always want to know what will happen next. The leading actors here - Margot Leicester as Sylvia, Henry Goodman as Philip, Ken Stott as the Doctor - perform as well as their roles permit, though Leicester is not the beauty that the Doctor describes. Some American accents are creaky, and Sally Edwards is distinctly weak as the doctor's wife. Shelia Keenan has provided an interesting steep-

raked set with a lot of reflecting glass - alas, because of the title, half the audience must be waiting for it to break - which makes characters at the back loom out above those speaking in the foreground. Between scenes, an onstage cellist, Andrea Hess, plays music by herself and Gary Yershon which suggests a climate of psychological tension as effectively as anything else in the play.

## Macbeth into EastEnders

**O**f course it has been done before, but never so ineptly. Transposing Shakespeare's Scottish play into a blood and thunder set in modern gangland goes back at least to 1955 and the cinematic *Joe Macbeth*. A London gangster version of *Macbeth* now sweaters in the Lyric Studio, Hammersmith, thanks to a company called London via Stoke, whose journey may not have been entirely necessary. The setting of Tony Langford's adaptation is the 1950s East End when professional crime was carving out its territory, though the Krays could never have been as dull as this. The rationale behind the concept, I suspect, is to give a chance of playing

Shakespeare to actors who might in normal theatrical circumstances not get their tongues around the Bard. Thus the cockney Macbeth lapses into exorbitant gabbles, which is sometimes intelligible. Banquo's emergence as a phantom in the witches' prophecy scene is marked by the most unvarying monotone since the Delaks. And the lesser characters utter their lines with determinedly chatty casualness as if determined to transform highlanders into *EastEnders*. The ploddingly slow production, with its gaps, pauses and lack of rhythm, is by Lon-

ghurst and Elle Lewis. This may explain the inclusion of the usually omitted Hecate whom Miss Lewis plays as a bedizened whooper in black draperies wearing a torch in her cleavage, who bounds on stage snarling, spitting and yawning, like Mme Arcati auditioning for *Cats*. We lose the porter (which this company might have done well) and Lady Macbeth - the latter a shame since the women are better than the men. Jacqueline McCarrick's Lady Macbeth, in a succession of little black numbers, plays like a young Joan Collins but

gets all her words out clearly; and Lucy Christoff's First Witch is thoroughly professional. The updating consists of depicting the witches as three old tramps, bagdies without bags, who make up their magic menus as they go along, contributing to the dustbin/canliron from a bottle of booze or grit produced, Atherton-style, from their pockets. The Scots nobility is represented by embarrassed-looking men in grey suits who stand fixedly displaying true British stoicism until moving off, as if by numbers. There seems no point to the modernisation,

and references to kingship, armour and magic sound absurdly out of place, even in this age when updated productions are the norm. Bright spots are provided by Robert Niero, apparently Italian but whose Duncan better at enunciating English than his colleagues; and James Osborne's Malcolm. Mr Osborne knows how to speak with variations of volume, pitch and pace, can express emotion, and understands what he is saying. This is that rare thing, a production of *Macbeth* where the England scene - that often interna-

ble testing of loyalty by the exiled Malcolm - is a highlight of clarity and drama. Michael McKell has, according to the programme, an impressive background as song-writer for Elaine Paige and Paul Nicholas. To judge by his *Macbeth*, his foreground as actor is less imposing, except towards the end when the "Tomorrow" speech patently moves him and therefore us. This production, most of which would not pass muster with the average amateur dramatic society, is mystifyingly sponsored by the Evening Standard, oddly identified in the programme as "The Quality Writing Paper". I shall stick to Basilston Bond.

Martin Hoyle

## A triumph of excess

**M**ost nights for the last 50 years George Melly has sung "Frankie and Johnny", or rather he has performed, camped up, nourished, and milked this old American ballad. He is doing it tonight, and until August 13, at the Green Room of the Café Royal and the world is a happier place as a result. If the modern age could produce a Renaissance Man it would probably be Melly - the jazz singing historian of Surrealism who also created the

Flook cartoon strip. There is something definitely *quattrocento* about his appearance - the bright turquoise suit, the crimson shoes, the battered straw hat. He celebrates the triumph of excess, Silenus having the last laugh. First appearances are not encouraging as the four elderly gents, accompanied by a plump young man, fall on to the young stage. But as soon as Melly plunges into his signature tune, "Good Time George", and trumpet player and leader John Chilton leads his Feetwarmers into their first solos, you know you are safely in the hands of old pros. This ensemble has spent years on the road, playing everything from jazz clubs to Winter Gardens. The Green Room surrenders without a fight. For a man nudging 70

George Melly still sings with amazing energy and precision, and he cleverly slices into his act anecdotes, jokes, a little jazz history, much of it cheerfully snuttily, all of it delivered with casual panache. There can be few cabaret artists who rejoice in the death of their libido by quoting a Greek philosopher. "I feel as if I've been unchained from a lunatic", and tops it up with a Dr Johnson drolery about his penis. Melly relishes the seedy low life origins of jazz. He joyfully tells of hearing a DJ introduce "a funky Cliff Richard record"; Melly knows that "funky" was originally black slang for "smelling of stale sex". Give him a song like "You've got the right key, but you're working on the wrong keyhole" and he is in his element.

It is not all barrack room bawdy. Melly can still deliver a romantic ballad like "Stardust Memory" with some emotion, and he does not ignore the desperate times of the first jazz musicians as he honours his heroine Bessie Smith with "Wasted Life Blues". But refreshed by constant sit downs while the band share out the solos, Melly is at last ready to plunge into the audience. It is an awesome sight to see him approach a mesmerised female crooning "You want a hot dog in your roil", and only a man of impeccable middle-class origins could get away with tales of shipboard life during his gay youth. "I don't like bending down these days" he confesses. "It is neither profitable nor pleasurable". After a lengthy, perhaps a



Music hall act: George Melly, jazz singing historian of surrealism

midge too lengthy, set, Melly is ready for "Frankie and Johnny". The shoes come off, to be used as props in the love making verse; the camp accent is re-created for the bar tender's contribution; and we are back ten, 20, 35 years to when we first saw Melly do his party piece. He is now much too portly to run his hands up and

down his back but what he loses in agility he compensates with charm. For any visiting tourist, bored with the blandness of American cabaret, a view of George would be a shockingly enjoyable eye opener to one of the great traditions of British music hall.

Antony Thornecroft

### Promenade concerts

## Welsh excel on Wagner Night

**I**n the first two of its four Proms this season, the BBC National Orchestra of Wales confirmed the high reputation it has established under its principal conductor, Tadaaki Otaka. Their seems to be a mutually beneficial relationship - the Japanese conductor's special affinity for the Romantic repertoire and the orchestra's warm, cultivated playing complement each other.

The programme on Wednesday suited them well. Billed as Wagner Night, it was an attempt in the 100th anniversary season at recreating the past: until the death of Henry Wood in 1944, Wagner Nights were a tradition, which accounts for Wagner's status as the Proms' most-played composer - 449 performances in all. Recordings have made such programmes unnecessary and "bleeding chunks" are now out of fashion, but Wednesday's concert was a canny box office move: the Albert Hall was packed.

The Overture to *Tannhäuser* (played 103 times in the first ten seasons alone) and the Venusberg ballet music provided scope for polished orchestral playing. Otaka favoured slow, deliberate tempos - on its return, the Overture's chorale theme nearly ground to a halt - but gave the music shape to justify his approach. His expansive view of the *Wendenschied* *Lieder* meant that the orchestra never quite established the contrasting moods of the five songs. But Anne Evans, a lyrical Wagnerian, was an ideal soloist. "Schmerzen" was achingly beautiful. The sultry "Im Treibhaus" seemed to take on new meaning for the audience sweltering in the Albert Hall hothouse.

Miss Evans is, of course, one of Britain's leading Wagnerians - a distinguished Brünnhilde at Bayreuth and elsewhere, and recently *Isolda* for Welsh National and Scottish Operas - and the chance to hear her in Brünnhilde's

Immolation was especially welcome. With gleaming tone, she rode all but the biggest climaxes. Balance was bound to be a problem: one singer without the projecting help of the proscenium arch, pitted against a Wagnerian orchestra normally sunk below the stage. The *Götterdämmerung* finale was preceded by two other extracts from the opera, Siegfried's Rhine journey and Siegfried's Funeral March, which found Otaka on form, able to make something genuinely dramatic of chunks that in isolation can pass as a succession of sound effects.

**T**hursday's concert was an all-British programme, all late-Romantic - even Daniel Jones's 1976 *Dance Fantasy*, a genial eight-minute puff that gave the orchestra an opportunity to fly its Welsh flag. "The Walk to the Paradise Garden" from Delius's opera *A Village Romeo and Juliet* followed. Otaka drawing sensuous playing from the excellent strings.

His conception of the Walton Viola Concerto - premiered at the 1929 Proms with Hindemith, no less, as soloist - was less convincing. The scherzo lacked panache, and some uneasy ensemble fall short of the "molto preciso" marking. But Nobuko Imai was an imaginative, flexible soloist, who brought shape to Walton's long lines. Otaka had firmer ideas about Elgar's Symphony No 1. Conducting from memory, he welded the first movement with a clear sense of its structure, though he was too generous towards the brass. The swaggering, syncopated subject in the scherzo was also too heavy, and unduly aggressive as a result; the heartfelt Adagio was as seamless as it should be. There is more Elgar than Otaka found here, but this was nevertheless a gripping performance.

John Allison

## Knussen's knack

**A**s Tuesday's BBC Symphony From reminded us, it seems a palpable waste that Oliver Knussen is called upon to conduct only his contemporaries' works - and his own. He is a searching practical musician, unlike many one could name; there is no reason to doubt that his wide-ranging gifts could be lavished fruitfully upon a lot of older repertoire. Here, his account of Stravinsky's Symphony in Three Movements was terrific: from the opening flourishes (to which he refused any rhetorical indulgence, but held strictly within Knussen's unrelenting rhythmic terms), through a graceful, well-sprung Andante, to a final Con moto that finally dazzled. It is years since I heard it so satisfyingly performed.

Alexander Goehr's *Colossus* or *Panic*, inspired by Goya's painting "The Colossus", was having its British premiere. In two solid movements, it is as suavely assured as it is distinctly odd. It does indeed begin with some colossal ritual howls, and the first movement rises to menacing peaks several times later.

Yet the tone and manner are basically those of a Mahlerian dance-movement - playful, gracious, mock-neo-classical; there is even a sweet, Strauss-like violin. All that is truer still of the second movement, ingratiating and elegant: tuneful, in fact, and touched with pathos despite some hefty surges with minatory brass. Like the first, it finally dwindles and fades, this time to

celesta and pizzicato strings, with poignant solo phrases. "The public face of the music is 'accessible' as could be, the construction superbly polished. The overall sense of the piece remains quizzical; as with Mahler, it will doubtless reveal itself on further acquaintance. Knussen also conducted, and Lucy Shelton sang, his own recent, exquisite (Walt) Whitman Settings. Marvellous orchestration, neo-impressionist and beyond (there is some candid Britten in the first song); ingeniously wrought vocal lines; formal economy, unerring point. We have heard little new from Knussen lately, but the skill and originality of these Whitman studies - more than studies - promise splendour to come. Miss Shelton was impeccable.

David Murray

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## TELEVISION

## BBC1

7.25 News. 7.30 Fiddlers. 7.45 Joe 90. 8.10 The Adventures of Guppy. 8.35 SWAT Kats. 8.50 Puss in Boots. 9.05 Weather.

10.55 Grandstand. Introduced by Sue Barker. 11.00 Cricket: Second Test. England v South Africa. Coverage of the third day's play from Headingley. 1.00 News. 1.05 Athletics: Professor of the European Championships in Helsinki. 1.15 Motor Sport: The latest round of the British Touring Car Championship from Knock Hill. 1.40 Cricket. 1.55 Racing from Haydock Park. The 2.00 Horses: Timber and Building Supplies Stayers Championship Series Handicap. 2.05 Cricket. 2.25 Racing: The 2.30 Coral Handicap. 2.35 Cricket. 2.55 Racing: The 3.00 Burtonwood Brewery Race of Lancashire Stakes. 3.05 Cricket. 3.40 Athletics. 4.00 Cricket. 5.00 News Round-Up. Times may vary. Cricket coverage continues on BBC2.

5.15 News. 5.20 Regional News and Sport. 5.25 A Word in Your Ear. Paul Cole, Debbie Greenwood, Eve Polford and Ken Bruce take part in the verbal communication game.

5.30 Film: Escape to Witch Mountain. Two psychic children go on the run in an attempt to discover their true origins. Disney fantasy adventure, starring Ray Milland and Donald Pleasence (1974).

7.35 Patsy Stone. Angela's stag night celebration is disrupted when Nipper decides with a reversal of fortune that the criminal he arrested years ago.

8.05 One Foot in the Grave. Victor appears a day at home alone, allowing his mind to run riot while waiting to be summoned for his trial. Comedy, starring Richard Wilson.

8.35 News and Sport. Weather. 8.40 Film: New Deal. Refused FBI operation. The Arnold Schwarzenegger film is blackmailed into infiltrating the Chicago underworld by US government agents. Action-packed thriller, with Kathryn Harrold (1993).

8.45 Film: The Curse of Frankenstein. Peter Cushing and Christopher Lee star as the wicked baron and his monster creation in Hammer's gory reworking of the classic 1931 movie (1957).

1.45 Weather. 1.50 Close.

## BBC2

6.00 Open University. 12.15 Film: Follow the Fleet. Fred Astaire finds romance with Ginger Rogers while on leave from the Navy. Irving Berlin musical, with Randolph Scott and Betty Grable (1935).

2.00 Ways of Seeing. John Berger examines classic paintings of the female nude, asking whether they celebrate or exploit women.

2.35 Film: Ensign Pulver. A Navy officer faces a series of misadventures on the high seas. Comedy, starring Robert Walker, Burt Reynolds and Walter Matthau (1964).

4.10 Hidden Works. 4.40 The Sky at Night. Patrick Moore analyses the result of comet Shoemaker-Levy 9's impact with Jupiter in mid-July.

5.00 Cricket: Second Test. England v South Africa. Coverage through to the close of play from Headingley. With commentary by Richie Benaud, Jack Barnard, David Gower and Geoffrey Boycott. Subsequent programmes may run late.

6.30 Performing Arts: The Tate Gallery at St Ives. Report on the new gallery owned by Cornwall County Council.

7.05 News and Sport. Weather. 7.15 TV Troubles: Real Lives - At the Edge of the Union. Political extremism in Northern Ireland comes under the microscope, as reporter Peter Taylor introduces the first of four series of a new documentary series marking the 25th anniversary of the Troubles.

8.05 Arena Special. Profile of outspoken sculptor Louise Bourgeois who, after a lifetime spent working in virtual obscurity, suddenly attracted the attention of international galleries at the age of 84.

9.00 Film: Enchanted April. Romantic comedy set in the 1920s, about four women who rent a small Italian castle to escape their dull London lives. Miranda Richardson, Joan Plowright, Josie Lawrence and Polly Walker star (1991).

10.45 Cricket: Second Test. England v South Africa. Richie Benaud introduces third-day highlights.

11.20 Film: The Conformist. Bernardo Bertolucci's drama set in the 1930s, about a man struggling to deny his homosexuality by conforming to the prevailing tide of fascism. Jean-Louis Trintignant stars (1971). (English subtitles).

1.15 Close.

## SATURDAY

6.00 GMTV. 6.55 Games 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News. Weather. 1.05 London Today. Weather.

1.10 Movies, Games and Videos. 1.40 WWT Worldwide Wrestling.

2.30 Football: The Maktub Trophy. Jim Rosenthal introduces live coverage of Arsenal v Aston Villa in the semi-finals of the four-team tournament from Highbury.

4.45 ITN News. Weather. 5.00 London Today. Weather.

5.10 Time Trav. Future cop Dorian tries to send a crooked scientist to the year 2193 for judgment - but is thwarted when the man over-rides his teleporter.

6.00 Scavengers. Futuristic adventure game, with John Leslie.

7.00 Celebrity Squares. Contestants compete for cash and cars with the help of celebrities including Paul Shane, Jaki Brambles, Kim Walker and Gladys Knight. Hosted by Bob Monkhouse.

7.30 Film: Columbo Goes to College. Criminology students murder their professor and cover their tracks with false clues - but return without Columbo's intervention. Crime drama, starring Peter Falk.

9.10 ITN News. Weather. 9.20 London Today. Weather.

9.25 Film: Black Widow. A female FBI agent becomes obsessed with a woman suspected of murdering a succession of wealthy husbands. Thriller, starring Delaney Winger and Theresa Russell (1987).

11.20 Film: Harris Undercover. Action adventure, starring Lee Majors as an American rancher running a horse-breeding business in Australia. With Rebecca Gilling (1989).

1.05 Get Stuffed. ITN News Headlines. 1.10 Tour of Duty. 2.05 The Big E. 3.00 Get Stuffed. ITN News Headlines. 3.05 New Music. 4.05 The Magic Wok. 4.30 BPM: Night Shift.

## CHANNEL4

5.00 4-Tel on View. 5.55 Early Morning. 10.00 Three World Tour. 11.00 Gaudi Games. 12.00 The Big 5. 12.30 pm A Girl's Fate (Ludwig, English subtitles).

12.55 Film: Show Boat. Jerome Kern and Oscar Hammerstein II musical charting the lives and loves of riverboat performers in old Mississippi. Irene Dunne, Alan Jones and Paul Robeson star (1929).

3.00 Racing from Newmarket. Coverage of the 3.15 Florio Morris Handicap. 3.45 Owners Orchid Sweet Solera Stakes. 4.20 Briefly Investments Handicap. 4.45 The 4.50 ANZ Banking Group Maiden Stakes.

5.05 Brooklands. News Summary. 5.30 Opening Shot. The 10th anniversary of the Youth Dance Performance Project for London at the Palace Theatre. Through the eyes of several children, the programme follows the choreographic development of director Royston Maldoon's piece in passing, which focuses on a celebration of youth and peace in Bosnia.

7.00 The People's Parliament. As the Scott inquiry prepares to publish the results of its investigation into the events of 1988, 100 men and women debate whether Scotland should prohibit the sale of military equipment to countries which use arms for internal repression. Chaired by Lesley Riddoch, with summaries by Rajan Datta.

8.00 Film: Sink the Bismarck! True-life second world war drama about the British Navy's trapping and sinking of Germany's greatest battleship. Kenneth More stars (1960).

8.50 Blue Heaven. Frank finds a new interest in the form of a beautiful girl who travels to the same train station as him every morning. With Frank Sinatra.

10.55 The Best Intentions. Hank and Anna reach their new home, where their efforts to find happiness are hampered by conflict with a wealthy factory owner. (English subtitles).

11.40 Late Licence. 11.50 Herman's Head. 12.30 Just for Laughs. 12.50 625 Live: Smashing Pumpkins. 1.20 Passengers. 1.25 Bernie and Butthead. 2.50 Packet of Three. 3.30 Close.

## REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES: AMULIA. 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 M61 Motorway. 1.15 Anglia News. 1.20 Anglia Weather. 1.25 Anglia News. 1.30 Anglia News. 1.35 Anglia News. 1.40 Anglia News. 1.45 Anglia News. 1.50 Anglia News. 1.55 Anglia News. 2.00 Anglia News. 2.05 Anglia News. 2.10 Anglia News. 2.15 Anglia News. 2.20 Anglia News. 2.25 Anglia News. 2.30 Anglia News. 2.35 Anglia News. 2.40 Anglia News. 2.45 Anglia News. 2.50 Anglia News. 2.55 Anglia News. 3.00 Anglia News. 3.05 Anglia News. 3.10 Anglia News. 3.15 Anglia News. 3.20 Anglia News. 3.25 Anglia News. 3.30 Anglia News. 3.35 Anglia News. 3.40 Anglia News. 3.45 Anglia News. 3.50 Anglia News. 3.55 Anglia News. 4.00 Anglia News. 4.05 Anglia News. 4.10 Anglia News. 4.15 Anglia News. 4.20 Anglia News. 4.25 Anglia News. 4.30 Anglia News. 4.35 Anglia News. 4.40 Anglia News. 4.45 Anglia News. 4.50 Anglia News. 4.55 Anglia News. 5.00 Anglia News. 5.05 Anglia News. 5.10 Anglia News. 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This week's topical piece of advice to my readers: if you are going to commit a murder, do it in Britain, not America - especially not in Texas or Arkansas. Last week, Winston Silcott, currently serving a life sentence for the fatal stabbing of Anthony Smith, was awarded £10,000 by Sir David Calcutt, QC, the Home Office assessor, in compensation for the time Silcott had spent in custody prior to his conviction for the murder of policeman Keith Blacklock.

The fact that Silcott had already been charged with the Smith murder, is, under English law, deemed irrelevant. Silcott's main response, in a letter sent to The Independent, was to protest his guiltlessness for the murder of Anthony Smith. He was acting in self-defence, he claimed.

Meanwhile, in Huntsville, Texas, on the same day as Winston Silcott's award, a man was being set up by the Home Office, Robert "Freddie" Drew, was executed, by lethal injection, for the murder of a teenager called Jeffrey Mays.

We read much about this in the British press because an English mother of three, Judith Tomlinson, had become Drew's penfriend and had travelled to Texas to plead for a stay of execution.

She believed Drew's protestations of innocence. All to no avail: at 12.15am on Tuesday, he was injected with a lethal combination of chemicals. He sobbed, coughed, snorted, and fell silent.

"I love you," said Tomlinson, on the other side of a perspex screen. But Drew was dead.

Perhaps it was not surprising that a number of British newspapers appeared very sympathetic to Tomlinson. But I was surprised by how few, in their accounts, did other than present the claims for Drew's innocence.

Only one gave space to the full details of the brutal murder of Jeffrey Mays, for which Drew was convicted. It was said that when police arrested Drew, at a strip club, he was found with the murder weapon and also had the victim's watch, wallet and bloodstained shirt.

On the very next day, in Arkansas, three men, Clines, Richley and Holmes were dispatched, also by lethal injection.

# The British way with murderers

Dominic Lawson considers examples of English and American justice

## The French choose their words carefully

If it should happen that French loses its present place as Europe's premier working language, then Europe will never be totally European.

President Georges Pompidou, 1972

French must not become to English what today Latin and Greek are to French.

Jacques Toubon, culture minister, 1994

Point out those "exit" signs and replace them with "sortie". Remember, when publicising your latest car model, that it has a *sac gonflable*, not an air bag. And, while planning that conference in Nice, do not forget to budget for the expense of interpretation and of producing at least a *résumé* or *précis* in French of all those papers on applied wickerery.

If you fail to heed these cautions in France, it could cost you up to FF20,000 (£2,400) in fines under the country's new *Loi Toubon*. According to Jacques Toubon, the culture minister, his law is designed to restore French to its proper place "as the language of our culture, cement of the nation and the flag under which we sail in the world". Put rather more simply, it is to ensure that French remains what is spoken and read predominantly in public in France.

Its opponents in France, however, have denounced it as linguistic totalitarianism. They include libertarians in general, and the advertising and scientific communities in particular. And on July 29, France's constitutional court struck down two provisions of the law.

It complained that the law infringed the constitutional freedom of expression by covering private citizens as well as public officials or those performing public services, and by making too unconditional the denial of state research money to scientists publishing their work in a language other than French.

But Toubon reacted by calling the court's ruling generally "positive" in endorsing the government's right to require the use of French in most aspects of French public life. His ministry says it will now simply amend the law slightly during the Parliament's autumn session. Judging by the original law's easy passage this spring, it should not have much difficulty in getting its way. Few politicians want to be seen opposing science as protection of

the French language. The *Loi Toubon* coincides with an upsurge in French cultural nationalism. Indeed, the issue on which the Gatt trade talks nearly foundered last December was the French government's determination to resist US objections to its subsidies to things French. At the same time, the French parliament passed a measure requiring the country's radio stations, to their great irritation, to broadcast a minimum 40 per cent of French songs by January 1996.

This cultural nationalism has political, as well as trade, consequences. President Mitterrand and Prime Minister Edouard Balladur insisted on retaining a French speaker at the helm of the European Commission.

Not everyone is enthusiastic about France's attempt to preserve its language. David Buchanan hears both sides of the argument

mission: both their first preference, Belgian prime minister Jean-Luc Dehaene, and eventual choice, Luxembourg prime minister Jacques Santer, are francophones.

Luxembourgers, half of the Belgian population and some Swiss speak French, which means French is spoken as a first language by more Europeans than English (German, the *muttersprache* of 80m in the federal republic, is ahead of all).

But the French refuse to settle for being a regional culture and still set out "universal" claims for their language (as well as for the political values of the French revolution), while acknowledging such pretensions are becoming increasingly phoney.

There are, for instance, 49 countries which belong to *la Francophonie* (the community of French speakers). Some member countries, such as Bulgaria, seem to have joined as much for political as for cultural reasons.

Even without the Bulgarians, a recent French Senate report estimated the number of "nomadic" French speakers at 100m. But the number of "real" French speakers was far fewer.

said the report. It said only 10 per cent of north and sub-Saharan Africans actually spoke the language and that this ratio was declining rapidly under the twin impacts of Islamic (anti-western) fundamentalism in the Maghreb, and of the growing appeal of black American music to black Africa.

In Asia, the report admitted that for all the fanfare of France's recent political and economic "return" to Indochina, French was now used or understood by just 0.1 per cent of the population in Vietnam and Laos.

Ironically, the only region where English is in slight retreat is North America, where the Canadian province of Quebec has taken draconian action to forbid public use of English and where several US states have in recent years made English their "official" language, to blunt growing Hispanic influence.

Toubon cites these moves to justify his law, the aim of which, he says, is to ensure the right of his countrymen to use the one language they all understand.

Will it work? Linguistic legislation has a long history in France. In 1539, French was declared the language of justice. In 1635, that watchdog of linguistic purity, the Académie Française, was established.

And in 1975, a law was passed requiring advertising, job offers and product labelling to be in French.

This was billed mainly as a consumer protection measure, enforcement of which was left to a division of the finance ministry. But no one took it very seriously. In some years, no convictions resulted; in others, about a dozen. Typical was the FF2,600 fine which a Cherbourg tribunal imposed on a company in 1993 for selling windsurf boards with instructions only in English.

In another case, the French subsidiary of Quick, the Belgian fast food chain, countered a charge of giving its wares foreign (English) names by arguing that consumers were perfectly well informed of the products through accompanying photographs.

When that argument failed, Quick began trying to register its "cheeseburgers" and other products as trademarks. This technique was exploited by Nike, the sports equipment chain, which included in its trademark the advertising slogan: "Nike. Just Do It." One of the aims of the *Loi Toubon* is to put a stop to such moves.

But the culture minister says



he is not trying to stamp out Franglais, a bastardised form of English. It would certainly be difficult as stamping out some Franglais terms would be killing something indigenously French. For example, the term *le smoking*, for formal men's evening wear, has never existed in English. Another example of an English word used in a sense that would mean nothing in English is *"till"*. *"Cu me fait till"* is a common French phrase for "I suddenly realised", with *"till"* taken from pinball-machine parlance.

Generally, though, the new law forbids official use of foreign words where French equivalents exist. Where they do not, they are being invented by 19 ministerial committees which, this spring, published their lexicon of 3,500 official Gallicisms. Progress has been rather quicker than the Académie Française's revision of its dictionary. Work began in 1935 and has reached the letter F.

Part of the *Loi Toubon* is designed to give new bite to old law. It allows, for the first time, various unofficial associations to initiate court action. It is promised that this power will only go to "approved" associations - but these linguistic vigilantes have proved unimpressive.

One of the associations' targets will undoubtedly be the advertising industry. Dominique Manduit, vice-president of Publicis, a large advertising agency, says it is "intolerable and imbecile" to legislate on

the everyday language which his industry uses to put its message across. "Publicity is the language of the street... and we don't use any more Franglais than already exists in common French usage," he says.

Toubon explains the main aim of his law as being to "forbid the forbidding of the use of French". His culture ministry claims an increasing number of employees have complained they are getting important internal company documents in foreign languages. Henceforth, these will have to be in French, as work and commercial contracts have had to be since 1975.

While the law applies to internal company documents, Toubon says he does not intend to apply it to external company documents such as annual reports to shareholders. It is not surprising that his ministry should shrink from trying to cut France's financial community off from *"le bottom line"* and *"le cash flow"* to which they have become firmly attached. The attachment is not surprising when you consider that cash flow becomes *"le marge brut d'autofinancement"* in French.

So the culture ministry is only planning to establish *"cercles de réflexions"* with the banks and the Bourse to discuss ways of gallicising their terminology.

The law stipulates French as the language of teaching, but an increasing number of French business schools teach

courses in English, as does Patrick Messerlin, a trade specialist at the Institut d'Etudes Politiques in Paris. He says he has Korean students who want to work in English, and "if they can't they will simply go to Brussels", a more accommodating francophone university centre. "I'll just keep on in English, and let them fine me," he says defiantly.

But scientists are even more strongly opposed to a law which they feel has been passed by politicians in wilful ignorance of the fact that English has become the language of international scientific publications and conferences.

Toubon's law requires that conferences must print their programmes in French (in addition to any other lan-

guage), that all working papers must be accompanied by at least a résumé in French, and that interpretation must be provided.

In a fruitless appeal to deputies in April, the Académie des Sciences said that at large conferences "it would be materially impossible to ensure French resumé and financially impossible to provide simultaneous translation".

The law also makes state money for research dependent on the fruits of that research being published eventually in French. "A French researcher does not have to publish his work first in French," says Toubon. "He can put it first into *Nature* or the *New England Journal of Medicine*. But at some point or other, the French taxpayer ought to be

able to read what he pays for." In reply, three particle physicists wrote recently in *Le Monde*: "We are grouped in laboratories whose number can be counted on the fingers of two hands. Obviously there is no public in France to publish our work, because it would only sell 20 copies... How can a discipline of several thousand people on the whole planet publish their work in 20 languages?"

It would be far better, says Paul Germain, secretary to the Académie des Sciences, for politicians to subsidise the writing of indigenous French schoolbooks on, say, biology, instead of just translating American ones, because these are read by hundreds of thousands of children and not just a handful of scientists.

But at some point or other, the French taxpayer ought to be

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## Buy a ticket, win world peace

Michael Thompson-Noel



I have been straining my brain so as to devise a new world game. The notion that we need a new world game was advanced by Miss Lee, my executive assistant, during the soccer World Cup a few weeks ago. Most games, says Miss Lee, are fundamentally silly. She had read, however, that the man who founded Nike had set himself the target of inventing a new game so as to cheer us all up, and imagined that I could help.

Miss Lee is not in London. She is travelling in Umbria with next door's gardener, a tall and braided youth whose grasp of gardening lore is scarcely more profound than the instructions on a seed packet.

In her absence I have been sweeping and dusting the flat, producing exquisitely tasty meals for our exquisitely snooty cat - and straining my brain so as to devise a new world game with which to

astound Miss Lee when she returns to London in the company of the braided one.

Here is my idea: global lotteries to fund good causes. In November we shall see the debut of Britain's first national lottery since 1926 - a giant tombola which is expected to produce an annual turnover of at least £4bn, part of which will fund massive donations to five good causes: charities, the arts, sport, national heritage and the Millennium Fund.

Surprisingly, there are still a few grey souls who are not turned on by Britain's national lottery. One of them is Allison Pearson, a columnist on the London Evening Standard, who was rabbiting on this week about the misfortunes likely to be visited on some of those who win big prizes.

"Poverty erodes the spirit, certainly," wrote this pompous wanker, "but unearned wealth, wherever it comes from, can do the same."

She has rather missed the point. What does it matter if a

few big lottery winners splurge their loot in decadent fashion because they are unable to handle such large amounts of cash? In sub-Saharan Africa more than 34m people are facing famine or severe food shortages because of the intractable wars and strife that



plague that doomed continent. I would bet everything I own that all those people would like nothing more than to get their hands on some "unearned wealth".

The gambling urge is ancient, universal and ingrained. Internationally, the gambling business is growing frantically. You cannot extinguish gambling, just as you cannot suppress various other

or tackle catastrophes such as Rwanda's, with a UN mercy army hundreds of thousands strong funded not by member governments but directly via our first global lottery? I would buy tickets, and so - I suspect - would you.

Want to save the elephant? The ivory holocaust and the explosive growth of human population that have so endangered the African elephant affect Asian elephants as well. Both *Loxodonta africana* and *Elephas maximus* are running out of living space.

To survive, elephants will need huge tracts of land. So let us buy it. Let us launch a global lottery that has as its declared aim the saving of animal life, starting with the elephants. I would buy tickets for that lottery as well, and so - I suspect - would you.

Who cares what dreary Allison Pearson thinks? We have got very little time in which to do many of the things we have got to do if our world is not to become known throughout the galaxy as Planet Sinko. Global lotteries will prove our salvation, mark my words.

هناك الاموال